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 June 30, 2020

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 1-12793

StarTek, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-1370538** (I.R.S. employer Identification No.)
6200 South Syracuse Way, Suite 485 **Greenwood Village, Colorado** (Address of principal executive offices)	**80111** (Zip code)

(303) 262-4500

(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, $0.01 par value	**SRT**	**New York Stock Exchange, Inc.**

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 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, smaller reporting company, or an emerging growth company. See 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 checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 31, 2020, there were 40,282,637 shares of Common Stock outstanding.

STARTEK, INC. AND SUBSIDIARIES

TABLE OF CONTENTS
FORM 10-Q

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the following:

- certain statements, including possible or assumed future results of operations, in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- any statements regarding the prospects for our business or any of our services;
- any statements preceded by, followed by or that include the words “may,” “will,” “should,” “seeks,” “believes,” “expects,” “anticipates,” “intends,” “continue,” “estimate,” “plans,” “future,” “targets,” “predicts,” “budgeted,” “projections,” “outlooks,” “attempts,” “is scheduled,” or similar expressions; and
- other statements regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to, those items described herein or set forth in the Form 10-K for the fiscal year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on March 12, 2020 and this Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. Unless otherwise noted in this report, any description of "us," "we," or "our," refers to StarTek, Inc. ("Startek") and its subsidiaries.

CHANGE IN FILING STATUS

In accordance with the SEC's expanded definition of Smaller Reporting Companies effective September 10, 2018, Startek now qualifies for Smaller Reporting Company status. As such, it has decided to take advantage of the relief provided from Part 1, Item 3.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STARTEK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	142,652	161,283	303,829	322,425
Warrant contra revenue	(485)	(730)	(763)	(730)
Net Revenue	**142,167**	**160,553**	**303,066**	**321,695**
Cost of services	(126,354)	(132,993)	(267,195)	(266,921)
Gross profit	**15,813**	**27,560**	**35,871**	**54,774**
Selling, general and administrative expenses	(14,644)	(24,936)	(31,899)	(49,015)
Impairment losses and restructuring/exit cost	(235)	(721)	(24,557)	(1,850)
Acquisition related cost	-	(25)	-	11
Operating (Loss) / Income	**934**	**1,878**	**(20,585)**	**3,920**
Share of (loss) / profit of equity accounted investees	(12)	662	(20)	1,003
Interest expense, net	(3,190)	(4,026)	(6,696)	(8,492)
Exchange gain / (loss), net	(1,637)	14	291	(677)
Loss before income taxes	**(3,905)**	**(1,472)**	**(27,010)**	**(4,246)**
Income tax expense	1,283	730	4,159	1,113
Net loss	**(5,188)**	**(2,202)**	**(31,169)**	**(5,359)**
Net (Loss) / income				
Net income attributable to non-controlling interests	29	1,392	605	1,581
Net loss attributable to Startek shareholders	(5,217)	(3,594)	(31,774)	(6,940)
Net loss per common share - basic and diluted	(0.14)	(0.10)	(0.82)	(0.18)
Weighted average common shares outstanding - basic and diluted	38,614	37,779	38,571	37,779

STARTEK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Loss	**(5,188)**	**(2,202)**	**(31,169)**	**(5,359)**
Net income attributable to noncontrolling interests	29	1,392	605	1,581
Net loss attributable to Startek shareholders	**(5,217)**	**(3,594)**	**(31,774)**	**(6,940)**
Other comprehensive (loss) / income, net of taxes:				
Foreign currency translation adjustments	727	32	(3,665)	599
Change in fair value of derivative instruments	(8)	413	(680)	348
Pension amortization	(3,026)	(236)	(2,630)	(60)
Comprehensive (loss) / income	**(2,307)**	**209**	**(6,975)**	**887**
Other comprehensive (loss) / income, net of taxes				
Other comprehensive (loss) / income attributable to noncontrolling interest	(1,787)	(111)	(1,624)	(25)
Other comprehensive (loss) / income attributable to Startek shareholders	(520)	320	(5,351)	912
	(2,307)	**209**	**(6,975)**	**887**
Comprehensive (loss) / income				
Comprehensive income attributable to noncontrolling interests	(1,758)	1,281	(1,019)	1,556
Comprehensive loss attributable to Startek shareholders	(5,737)	(3,274)	(37,125)	(6,028)
	(7,495)	**(1,993)**	**(38,144)**	**(4,472)**

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands, except share data)
(Unaudited)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	47,451	20,464
Restricted cash	8,966	12,162
Trade accounts receivable, net	70,194	108,479
Unbilled revenue	40,181	41,449
Prepaid and other current assets	14,308	12,008
Total current assets	**181,100**	**194,562**
Property, plant and equipment, net	37,644	37,507
Operating lease right-of-use assets	77,437	73,692
Intangible assets, net	105,644	110,807
Goodwill	196,633	219,341
Investment in associates	109	553
Deferred tax assets, net	2,980	5,251
Prepaid expenses and other non-current assets	17,113	16,370
Total assets	**618,660**	**658,083**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payables	18,669	25,449
Accrued expenses	54,857	45,439
Short term debt	29,134	26,491
Current maturity of long term debt	9,863	18,233
Current maturity of operating lease obligation	20,223	19,677
Other current liabilities	39,089	37,159
Total current liabilities	**171,835**	**172,448**
Long term debt	110,923	130,144
Operating lease liabilities	58,251	54,341
Other non-current liabilities	17,935	11,140
Deferred tax liabilities, net	17,095	18,226
Total liabilities	**376,039**	**386,299**
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, 60,000,000 non-convertible shares, $0.01 par value, authorized; 40,210,299 and 38,525,636 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	401	385
Additional paid-in capital	286,205	276,827
Accumulated deficit	(78,332)	(46,145)
Accumulated other comprehensive loss	(11,373)	(6,022)
Equity attributable to Startek shareholders	**196,901**	**225,045**
Non-controlling interest	45,720	46,739
Total stockholders' equity	**242,621**	**271,784**
Total liabilities and stockholders' equity	**618,660**	**658,083**

See Notes to Consolidated Financial Statements.

Table of Contents

STARTEK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
Operating Activities		
Net loss	$ (31,169)	$ (5,359)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,328	14,631
Impairment of goodwill	22,708	-
Profit on sale of property, plant and equipment	-	(223)
Provision for doubtful accounts	889	1,169
Warrant contra revenue	763	730
Share-based compensation expense	209	781
Deferred income taxes	1,604	(1,224)
Share of profit of associates	20	(1,003)
Changes in operating assets and liabilities:		
Trade accounts receivable	34,022	(1,218)
Prepaid expenses and other assets	(2,301)	(7,677)
Trade accounts payable	(5,920)	(2,091)
Income taxes, net	(2,314)	(2,663)

Accrued expenses and other current liabilities	15,558	(1,280)
Net cash (used in) / generated from operating activities	**$ 48,397**	**$ (5,427)**
Investing Activities		
Purchases of property, plant and equipment	(7,864)	(7,302)
Proceeds from equity-accounted investees	395	1,329
Net cash used in generated investing activities	**$ (7,469)**	**$ (5,973)**
Financing Activities		
Proceeds from the issuance of common stock	8,009	6,466
Payments on long term debt	(4,200)	(4,200)
Proceeds from (payments on) other debt, net	(20,449)	10,513
Net cash (used in) / generated from financing activities	**$ (16,640)**	**$ 12,779**
Net increase in cash and cash equivalents	**24,288**	**1,379**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(497)	(40)
Cash and cash equivalents and restricted cash at beginning of period	32,626	24,569
Cash and cash equivalents and restricted cash at end of period	**$ 56,417**	**$ 25,908**
Components of cash and cash equivalents and restricted cash		
Balances with banks	47,451	15,452
Restricted cash	8,966	10,456
Total cash and cash equivalents and restricted cash	**56,417**	**$ 25,908**
Supplemental disclosure of Cash Flow Information		
Cash paid for Interest and other finance cost	6,440	8,200
Cash paid for income taxes	4,017	4,920
Non cash warrant contra revenue	763	730
Non cash share-based compensation expenses	209	781

See Notes to Consolidated Financial Statements.

Table of Contents

STARTEK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock				**Other Items of OCI**					
	Shares	**Amount**	**Additional paid-in capital**	**Accumulated deficit**	**Foreign currency translation**	**Change in fair value of derivative instruments**	**Unrecognised pension cost**	**Equity attributable to Startek shareholders**	**Non-controlling interest**	**Total stockholders' equity**
Three months ended										
Balance at March 31, 2020	**38,541,724**	**$ 385**	**$ 277,852**	**$ (73,115)**	**$ (8,960)**	**$ (197)**	**$ (1,696)**	**$ 194,269**	**$ 47,478**	**$ 241,747**
Issuance of common stock	1,668,575	16	7,950	-	-	-	-	7,966	-	7,966
Share-based compensation expenses	-	-	(82)	-	-	-	-	(82)	-	(82)
Warrant expenses	-	-	485	-	-	-	-	485	-	485
Net income (loss)	-	-	-	(5,217)	-	-	-	(5,217)	29	(5,188)
Other comprehensive loss for the period	-	-	-	-	727	(8)	(1,239)	(520)	(1,787)	(2,307)
Balance at June 30, 2020	**40,210,299**	**$ 401**	**$ 286,205**	**$ (78,332)**	**$ (8,233)**	**$ (205)**	**$ (2,935)**	**$ 196,901**	**$ 45,720**	**$ 242,621**
Balance at March 31, 2019	**37,561,744**	**$ 375**	**$ 268,256**	**$ (34,473)**	**$ (3,422)**	**$ (80)**	**$ (1,453)**	**$ 229,203**	**$ 45,631**	**$ 274,834**
Issuance of common stock	890,367	9	5,942	-	-	-	-	5,951	-	5,951
Share-based compensation expenses	-	-	356	-	-	-	-	356	-	356
Warrant expenses	-	-	730	-	-	-	-	730	-	730
Net income (loss)	-	-	-	(3,594)	-	-	-	(3,594)	1,392	(2,202)
Other comprehensive loss for the period	-	-	-	-	32	413	(125)	320	(111)	209
Balance at June 30, 2019	**38,452,111**	**$ 384**	**$ 275,284**	**$ (38,067)**	**$ (3,390)**	**$ 333**	**$ (1,578)**	**$ 232,966**	**$ 46,912**	**$ 279,878**
Six months ended										

Balance at December 31, 2019	**38,525,636**	**$ 385**	**$ 276,827**	**$ (46,145)**	**$ (4,568)**	**$ 475**	**$ (1,929)**	**$ 225,045**	**$ 46,739**	**$ 271,784**
Transition period adjustment pursuant to ASU 2019-08	-	-	413	(413)	-	-	-	-	-	-
Issuance of common stock	1,684,663	16	7,993	-	-	-	-	8,009	-	8,009
Share-based compensation expenses	-	-	209	-	-	-	-	209	-	209
Warrant expenses	-	-	763	-	-	-	-	763	-	763
Net income (loss)	-	-	-	(31,774)	-	-	-	(31,774)	605	(31,169)
Other comprehensive loss for the period	-	-	-	-	(3,665)	(680)	(1,006)	(5,351)	(1,624)	(6,975)
Balance at June 30, 2020	**40,210,299**	**$ 401**	**$ 286,205**	**$ (78,332)**	**$ (8,233)**	**$ (205)**	**$ (2,935)**	**$ 196,901**	**$ 45,720**	**$ 242,621**
Balance at December 31, 2018	**37,446,323**	**$ 374**	**$ 267,317**	**$ (31,127)**	**$ (3,989)**	**$ (15)**	**$ (1,543)**	**$ 231,017**	**$ 45,356**	**$ 276,373**
Issuance of common stock	1,005,788	10	6,456	-	-	-	-	6,466	-	6,466
Share-based compensation expenses	-	-	781	-	-	-	-	781	-	781
Warrant expenses	-	-	730	-	-	-	-	730	-	730
Net income (loss)	-	-	-	(6,940)	-	-	-	(6,940)	1,581	(5,359)
Other comprehensive loss for the period	-	-	-	-	599	348	(35)	912	(25)	887
Balance at June 30, 2019	**38,452,111**	**$ 384**	**$ 275,284**	**$ (38,067)**	**$ (3,390)**	**$ 333**	**$ (1,578)**	**$ 232,966**	**$ 46,912**	**$ 279,878**

STARTEK, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(In thousands, except share and per share data)
(Unaudited)

1. OVERVIEW AND BASIS OF PREPARATION

Unless otherwise noted in this report, any description of "us," "we," or "our," refers to StarTek, Inc. and its subsidiaries (the "Company"). Financial information in this report is presented in U.S. dollars.

Business

Startek is a global business process outsourcing company that provides omnichannel customer interactions, technology and back-office support solutions for some of the world’s most iconic brands in a variety of vertical markets. Operating under the Startek and Aegis brand, we help these large global companies connect emotionally with their customers, solve issues, and improve net promoter scores and other customer-facing performance metrics. Through consulting and analytics services, technology-led innovation, and engagement solutions, we deliver personalized experiences at the point of conversation between our clients and their customers across every interaction channel and phase of the customer journey.

Startek has proven results for the multiple services we provide, including sales, order management and provisioning, customer care, technical support, receivables management, and retention programs. We manage programs using a variety of multi-channel customer interactions, including voice, chat, email, social media and back-office support. Startek has facilities in India, United States, Malaysia, Philippines, Australia, South Africa, Canada, Honduras, Jamaica, Kingdom of Saudi Arabia, Argentina, Peru and Sri Lanka.

Basis of preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US-GAAP") for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by US-GAAP for complete financial statements.

These consolidated financial statements reflect all adjustments (consisting only of normal recurring entries, except as noted) which, in the opinion of management, are necessary for fair presentation. The results of operations for interim periods are not necessarily indicative of full year results.

The consolidated financial statements reflect the financial results of all subsidiaries that are more than 50% owned and over which the Company exerts control. When the Company does not have majority ownership in an entity but exerts significant influence over that entity, the Company accounts for the entity under the equity method of accounting. All intercompany balances are eliminated on consolidation. Where our ownership of a subsidiary was less than 100%, the non-controlling interest is reported in our Consolidated Balance Sheets. The non-controlling interest in our consolidated net income is reported as "Net income (loss) attributable to non-controlling interests" in our Consolidated Statements of Comprehensive Income (loss).

The consolidated balance sheet as of December 31, 2019, included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by US-GAAP. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, intangibles, impairment of goodwill, valuation allowances for deferred tax assets and restructuring costs. Management believes that the estimates used in the preparation of the condensed consolidated financial statements are reasonable, and management has made assumptions about the possible effects of the novel coronavirus (“COVID-19”) pandemic on critical and significant accounting estimates. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the Company’s condensed consolidated financial statements.

Revenue

The company utilizes a five-step process given in ASC 606, for revenue recognition that focuses on transfer of control, rather than transfer of risks and rewards. It also provided additional guidance on accounting for contract acquisition and fulfillment costs. Refer Note 4 on "Revenue from Contracts with Customers" for further information.

Leases

On January 1, 2019, the Company adopted Accounting Standards Codification 842, Leases, (Topic 842) with the transition approach. However, the Company has accounted the lease for the comparable periods as per the Accounting Standards Codification 840.

We determine if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets, current maturity of operating lease liabilities, and operating lease liabilities in our consolidated balance sheets. Finance leases are included in property plant and equipment, long-term debt, accrued expenses and other current liabilities in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the balance lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the date of initial application on determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

The Company elected the practical expedient permitted under the transition guidance under Topic 842, which among other matters, allowed the Company (i) not to apply the recognition requirements to short-term leases (leases with a lease term of 12 months or less), (ii) not to reassess whether any expired or existing contracts are or contain leases, (iii) not to reassess the lease classification for any expired or existing leases, and (iv) not to reassess initial direct costs for any existing leases

We have lease agreements with lease and non-lease components, which are generally accounted for separately.

During the first quarter of 2020, the COVID-19 pandemic did not trigger changes to the terms of any of the Company’s leases, however during second quarter we have received partial relief from, a few landlords in terms of rent discounts for certain periods and deferments of rent for a few facilities. Rent discounts and deferment of rent have been accounted for without lease modification using the practical expedient provided by the FASB.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, Business Combinations, by recognizing identifiable tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquired business at their fair values. The excess of the cost of the acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Acquisition related costs are expensed as incurred.

Goodwill and Intangible Assets

Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized but is tested for impairment at least on an annual basis on December 31, based on a number of factors, including operating results, business plans and future cash flows. The Company performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the assessment of events or circumstances, the Company performs a quantitative assessment of goodwill impairment if it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, based on the quantitative impairment analysis, the carrying value of a reporting unit exceeds the fair value of reporting units, an impairment loss is recognized in an amount equal to the excess. In addition, the Company performs a quantitative assessment of goodwill impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Refer to Note 3 for information and related disclosures.

Intangible assets acquired in a business combination were recorded at fair value at acquisition date using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment at least annually, or more frequently if indicators of impairment arise.

Foreign Currency Matters

The Company has operations in Argentina and its functional currency has historically been the Argentine Peso. The Company monitors inflation rates in countries in which it operates as required by US GAAP. Under ASC 830-10-45-12, an economy must be classified as highly inflationary when the cumulative three-year rate exceeds 100%. Considering the inflation data of Argentina, the Company has considered Argentina to be highly inflationary beginning on July 1, 2018. In accordance with ASC 830, the functional currency of the Argentina business has been changed to USD, which requires remeasurement of the local books to USD. Exchange gains and losses are recorded through net income as opposed to through other comprehensive income as had been done historically. Translation adjustments from periods prior to the change in functional currency were not removed from equity.

Stock-Based Compensation

We recognize expense related to all share-based payments to employees, including grants of employee stock options, based on the grant-date fair values amortized straight-line over the period during which the employees are required to provide services in exchange for the equity instruments. We include an estimate of forfeitures when calculating compensation expense. We use the Black-Scholes method for valuing stock-based awards. See Note 10, “Share-Based Compensation” for further information.

Common Stock Warrant Accounting

We account for common stock warrants as equity instruments, based on the specific terms of our warrant agreement. For more information refer to Note 10, "Share-Based Compensation."

Recent Accounting Pronouncements

In December 2019, FASB issued ASU 2019-12 which modifies ASC 740 to simplify accounting for income taxes. ASU 2019-12 amends the requirements related to the accounting for “hybrid” tax regimes. FASB amended ASC 740-10-15-4(a) to state that an entity should include the amount of tax based on income in the tax provision and should record any incremental amount recorded as a tax not based on income. This amendment effectively reverses the order in which an entity determines the type of tax under current U.S. GAAP. The Company does not have a hybrid tax regime currently.

FASB also removed the previous guidance that prohibit recognition of a DTA for a step up in tax basis “except to the extent that the newly deductible goodwill amount exceeds the remaining balance of book goodwill.” Instead, the amended guidance contains a model under which an entity can consider a list of factors in determining whether the step-up in tax basis is related to the business combination that caused the initial recognition of goodwill or to a separate transaction. The Company does not have a step up in tax basis for goodwill.

ASU 2019-12 also modified intra-period tax allocation exception to incremental approach. As per the modification, an entity should determine the tax effect of income from continuing operations without considering the tax effect of items that are not included in continuing operations, such as discontinued operations or other comprehensive income. The Company does not believe this to have material impact on their consolidated financial statements.

The ASU also makes one minor improvements to the Codification topics. Tax benefit of tax-deductible dividends on allocated and unallocated employee stock ownership plan shares shall be recognized in the income statement. FASB decided to change the phrase “recognized in the income statement” to “recognized in income taxes allocated to continuing operations” to clarify where income tax benefits related to tax-deductible dividends should be presented in the income statement. This improvement is not expected to have material impact on the Company.

The above amendments are effective for fiscal years beginning after December 15, 2020.

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans (“ASU 2018-14”). The amendment makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other post retirement benefit plans. The new guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and requires new ones that the FASB considers pertinent. ASU No. 2018-14 is effective for fiscal years ending after December 15, 2020.

In June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13"), Measurement of Credit Losses on Financial Instruments. The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For available for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. This ASU is effective for annual periods beginning after December 15, 2022, and interim periods therein for smaller reporting companies. We do not expect the adoption of ASU 2016-13 will have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-03, “Codification Improvements to Financial Instruments.” This ASU represents changes to clarify or improve the Codification. The amendments make the Codification easier to understand and apply by eliminating inconsistencies and providing clarifications in relation to financial instruments. This guidance was effective immediately upon issuance. The additional elements of the ASU did not have a material impact on the Company's consolidated results of operations, cash flows, financial position and or disclosures.

In March 2020, the FASB issued ASU No. 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” This ASU provides temporary optional expedients and exceptions to the guidance in US GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (“SOFR”). Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. The guidance is effective upon issuance and generally can be applied through 31 December 2022. The Company is still in the process of assessing the impact of this ASU.

Table of Contents

3. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The carrying value of goodwill is allocated to reporting units is as follows:

Reporting Units	June 30, 2020	December 31, 2019
Americas	64,315	64,315
India	15,180	31,000
Malaysia	47,543	47,543
Saudi Arabia	54,840	54,840
South Africa	1,578	5,910
Argentina	4,991	4,991
Australia	8,186	10,742
Total	**$ 196,633**	**$ 219,341**

We perform a goodwill impairment analysis at least annually (in the fourth quarter of each year) unless indicators of impairment exist in interim periods. The Goodwill was allocated to new reporting units using a relative fair value allocation approach. We performed a quantitative assessment to determine if the fair value of each of our reporting units with goodwill exceeded its carrying value.

The assumptions used in the analysis are based on the Company's internal budget. The Company projected revenue, operating margins and cash flows for a period of five years and applied a perpetual long-term growth rate using discounted cash flows (DCF) method. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles. These estimates may differ from actual results. The values assigned to each of the key assumptions reflect the management's past experience as their assessment of future trends and are consistent with external/internal sources of information.

During the first quarter of 2020, the Company reviewed the carrying value of goodwill due to the events and circumstances surrounding the COVID-19 pandemic. As a result of the recent global economic disruption and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of March 31, 2020, and accordingly, performed interim impairment testing on the goodwill balances of its reporting units. As quoted market prices are not available for these reporting units, the calculations of their estimated fair values were based on a discounted cash flow model (income approach).

The results of these interim impairment tests indicated that the estimated fair value of the India, South Africa and Australia reporting unit was less than its carrying value. Consequently, a goodwill impairment charge of $15,820, $4,332 and $2,556 was recorded for the India, South Africa and Australia reporting unit respectively.

As of June 30, 2020, based on the qualitative assessment, we concluded there is no additional impairment of goodwill.

The following table presents the changes in goodwill during the period:

	Amount
Opening balance, December 31, 2019	$ 219,341
Impairment	(22,708)
Ending balance, June 30, 2020	**$ 196,633**

Intangible Assets

The following table presents our intangible assets as of June 30, 2020

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	$ 66,220	$ 13,474	$ 52,746	6.5
Brand	49,500	9,561	39,939	7.1
Trademarks	13,210	1,715	11,495	7.5
Other intangibles	2,130	666	1,464	4.9
	$ 131,060	**$ 25,416**	**$ 105,644**	

During the first quarter of 2020, the Company reviewed the carrying value of its intangible assets due to the events and circumstances surrounding the COVID-19 pandemic. As a result of the recent global economic disruption and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of March 31, 2020, and accordingly, performed interim impairment testing on the all intangible assets. Based on the results of our analyses, the estimated fair values of the trade names exceeded the carrying values.

As of June 30, 2020, based on the qualitative assessment, we concluded there is no impairment of the company's intangible assets.

Expected future amortization of intangible assets as of June 30, 2020 is as follows:

Years Ending December 31,	Amount

Remainder of 2020	$	5,175
2021		10,350
2022		10,350
2023		10,306
2024		10,252
Thereafter		59,211

4. REVENUE

The company follows a five-step process in accordance with ASC 606, for revenue recognition that focuses on transfer of control, rather than transfer of risks and rewards.

Contracts with Customers

All of the Company's revenues are derived from written contracts with our customers. Generally speaking, our contracts document our customers' intent to utilize our services and the relevant terms and conditions under which our services will be provided. Our contracts generally do not contain minimum purchase requirements nor do they include termination penalties. Our customers may generally cancel our contract, without cause, upon written notice (generally ninety days). While our contracts do have stated terms, because of the facts stated above, they are accounted for on a month-to-month basis.

Our contracts give us the right to bill for services rendered during the period, which for the majority of our customers is a calendar month, with a few customers specifying a fiscal month. Our payment terms vary by client and generally range from due upon receipt to 60-90 days.

Performance Obligations

We have identified one main performance obligation for which we invoice our customers, which is to stand ready to provide care services for our customers' clients. A stand-ready obligation is a promise that a customer will have access to services as and when the customer decides to use them. Ours is considered a stand-ready obligation because the delivery of the underlying service (that is, receiving customer contact and performing the associated care services) is outside of our control or the control of our customer.

Our stand-ready obligation involves outsourcing of the entire customer care life cycle, including:

- The identification, operation, management and maintenance of facilities, IT equipment, and IT and telecommunications infrastructure
- Management of the entire human resources function, including recruiting, hiring, training, supervising, evaluating, coaching, retaining, compensating, providing employee benefits programs, and disciplinary activities

These activities are all considered an integral part of the production activities required in the service of standing ready to accept calls as and when they are directed to us by our clients.

Revenue Recognition Methods

Because our customers receive and consume the benefit of our services as they are performed and we have the contractual right to invoice for services performed to date, we have concluded that our performance obligation is satisfied over time. Accordingly, we recognize revenue for our services in the month they are performed. This is consistent with our prior revenue recognition model.

We are generally entitled to invoice for our services on a monthly basis. We invoice according to the hourly and/or per transaction rates stated in each contract for the various activities we perform. Some contracts include opportunities to earn bonuses or include parameters under which we will incur penalties related to performance in any given month. Bonus or penalty amounts are based on the current month's performance. Formulas are included in the contracts for calculation of any bonus or penalty. There is no other performance in future periods that will impact the bonus or penalty calculation in the current period. We estimate the amount of the bonus or penalty using the "most likely amount" method and we apply this method consistently. The bonus or penalty calculated is generally approved by the client prior to billing (and revenue being recognized).

Practical expedients and exemptions

Because the Company's contracts are essentially month-to-month, we have elected the following practical expedients:

- ASC 606-10-50-14 exempts companies from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less
- ASC 340-40-25-4 allows companies to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.
- ASC 606-10-32-2A allows an entity to make an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (for example, sales, use, value added, and some excise taxes)
- ASC 606-10-55-18 allows an entity that has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the entity may recognize revenue in the amount to which the entity has a right to invoice.

Our net revenues in the second quarter were negatively impacted by COVID-19, primarily due to lockdowns and lower active workforce in most of the Geographies where we had operations, the Company did see improvement throughout the quarter as few countries and states began to gradually re-open. For example, sales in Malaysia and Australia returned to growth in the second quarter. However, the ultimate COVID-19 impact on the fiscal year sales remains highly fluid and will continue to evolve with geographical re-openings and shutdowns due to volatile virus waves.

Disaggregated Revenue

Revenues by our clients' industry vertical for the three and six months ended June 30, 2020 and 2019, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
Vertical:	**2020**	**2019**	**2020**	**2019**
Telecom	50,186	64,421	105,527	130,245
E-commerce & Consumer	21,354	24,375	47,802	48,719
Financial & Business Services	10,438	13,245	23,833	26,565
Media & Cable	22,099	23,587	45,265	45,344
Travel & Hospitality	14,179	17,375	29,965	33,889
Healthcare & Education	9,178	8,352	22,617	18,881
Technology, IT & Related Services	4,402	3,458	9,497	5,896
All other segments	10,816	6,470	19,323	12,886
Gross Revenue	**142,652**	**161,283**	**303,829**	**322,425**
Less: Warrant Contra Revenue	(485)	(730)	(763)	(730)
Net Revenue	$ **142,167**	$ **160,553**	**303,066**	$ **321,695**

Table of Contents

5. NET LOSS PER SHARE

Basic net loss per common share is computed based on our weighted average number of common shares outstanding. Diluted earnings per share is computed based on our weighted average number of common shares outstanding plus the effect of dilutive stock options, non-vested restricted stock, and deferred stock units, using the treasury stock method.

When a net loss is reported, potentially issuable common shares are excluded from the computation of diluted earnings per share as their effect would be anti-dilutive.

The Company always maintained Startek's 2008 Equity Incentive Plan (see Note 10, "Share-based compensation and employee benefit plans" for more information). For the three and six months ended June 30, 2020, the following shares were not included in the computation of diluted earnings per share because we reported a net loss and the effect would have been anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Anti-dilutive securities:				
Stock options	1,948	2,628	1,948	2,628

6. IMPAIRMENT LOSSES & RESTRUCTURING/EXIT COST

Impairment Loss

During the first quarter of 2020, the Company reviewed the carrying value of goodwill due to the events and circumstances surrounding the COVID-19 pandemic and performed interim impairment testing on the goodwill balances of its reporting units. Accordingly, a goodwill impairment charge of $15,820, $4,332 and $2,556 was recorded for the India, South Africa and Australia reporting unit respectively.

Restructuring/Exit Cost

The table below summarizes the balance of accrued restructuring, other acquisition related cost and involuntary termination cost, which is included in other accrued liabilities in our consolidated balance sheets, and the changes during the six months ended June 30, 2020:

	Employee related	Facilities related	Total
Balance as of December 31, 2019	$ 1,326	$ 514	$ 1,840
Accruals/(reversals)	1,797	52	1,849
Payments	(2,490)	(325)	(2,815)
Balance as of June 30, 2020	$ **633**	$ **241**	$ **874**

Employee related

In 2020, under a company-wide restructuring plan, we eliminated a number of positions which were considered redundant coupled with change in key management personnel , We recognized provision for employee related costs across a number of geographies and we expect to pay the remaining costs of $633 by the end of third quarter 2020.

Facilities related

In 2018, we terminated various leases in the United States and the Philippines due to closedown of the facilities. We recognized provision for the remaining costs associated with the leases. We expect to pay the remaining costs of $241 by the end of the first quarter of 2021.

7. DERIVATIVE INSTRUMENTS

Cash flow hedges

Our locations in Canada and the Philippines primarily serve US-based clients. The revenues from these clients is billed and collected in US Dollars, but the expenses related to these revenues are paid in Canadian Dollars and Philippine Pesos. We enter into derivative contracts, in the form of forward contracts and range forward contracts (a transaction where both a call option is purchased and a put option is sold) to mitigate this foreign currency exchange risk. The contracts cover periods commensurate with expected exposure, generally three to twelve months. We have elected to designate our derivatives as cash flow hedges in order to associate the results of the hedges with forecasted expenses.

The Company has terminated all Cash flow hedges contracts early in April, 2020 due to a change in counterparty relationship, hence balance as on June 30, 2020 is nil.

The following table shows the notional amount of our foreign exchange cash flow hedging instruments as of June 30, 2020:

	For the Three Months Ended June 30, 2020 Local Currency Notional Amount	For the Three Months Ended June 30, 2020 U.S. Dollar Notional Amount	Year Ended December 31,2019 Local Currency Notional Amount	Year Ended December 31,2019 U.S. Dollar Notional Amount
Philippine Peso	-	-	769,000	14,361
Canadian Dollar	-	-	1,400	1,047
				$ 15,408

Derivative assets and liabilities associated with our hedging activities are measured at gross fair value as described in Note 8, "Fair Value Measurements," and are included in prepaid expense and other current assets and accrued expenses and other current liabilities in our condensed consolidated balance sheets, respectively.

	Gain (Loss) Recognized in AOCI, net of tax	Gain (Loss) Recognized in AOCI, net of tax	Gain/ (Loss) Reclassified from AOCI into Income	Gain/ (Loss) Reclassified from AOCI into Income
	Six months ended June 30, 2020	Six months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flow hedges:				
Foreign exchange contracts	(434)	436	(246)	(88)

Non-designated hedges

We have also entered into foreign currency range forward contracts and interest swap contract as required by our lenders. These hedges are not designated hedges under ASC 815, *Derivatives and Hedging.* These contracts generally do not exceed 3 years in duration.

Unrealized gains and losses and changes in fair value of these derivatives are recognized as incurred in Exchange gains (losses), net in the Consolidated Statements of Comprehensive Income (Loss). The following table presents these amounts for the three and six months ended June 30, 2020 and 2019:

Derivatives not designated under ASC 815	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Foreign currency forward contracts	$ (1,304)	$ 342	$ 468	$ 315
Interest rate swap	$ (83)	$ (405)	$ (423)	$ (630)

8. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The levels of the fair value hierarchy are described below:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Unobservable inputs that cannot be supported by market activity and that are significant to the fair value of the asset, liability, or equity such as the use of certain pricing models, discounted cash flow models and similar techniques that use significant assumptions. These unobservable inputs reflect our own estimates of assumptions that market participants would use in pricing the asset or liability:

Table of Contents

Derivative Instruments

The values of our derivative instruments are derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such the derivatives are classified as Level 2 in the fair value hierarchy.

The following tables set forth our assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. These balances are included in Other current assets and Other current liabilities, respectively, on our balance sheet.

	As of June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 1,834	$ —	$ 1,834
Total fair value of assets measured on a recurring basis	$ —	$ 1,834	$ —	$ 1,834
Liabilities:				
Interest rate swap	$ —	$ 696	$ —	$ 696
Foreign exchange contracts	$ —	$ —	$ —	$ —
Total fair value of liabilities measured on a recurring basis	$ —	$ **696**	$ —	$ **696**

	As of December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 1,823	$ —	$ 1,823
Total fair value of assets measured on a recurring basis	$ —	$ **1,823**	$ —	$ **1,823**
Liabilities:				
Interest rate swap	$ —	$ 544	$ —	$ 544
Foreign exchange contracts	$ —	$ 22	$ —	$ 22
Total fair value of liabilities measured on a recurring basis	$ —	$ **566**	$ —	$ **566**

Table of Contents

9. DEBT

The below table presents details of the Company's debt:

	June 30, 2020	**December 31, 2019**
Short term debt and current portion of long term debt		
Working capital facilities	$ 29,134	$ 23,179
Loan from related parties	-	3,312
Current maturity of long term loan	8,400	16,800
Equipment loan	832	801
Current maturity of finance lease obligations	631	632
Total	$ **38,997**	$ **44,724**
Long term debt		
Term loan, net of debt issuance costs	$ 110,036	$ 105,075
Equipment loan	195	619
Secured revolving credit facility	-	23,097
Finance lease obligations	692	1,353
Total	$ **110,923**	$ **130,144**

Working capital facilities

The Company has a number of working capital facilities in various countries in which it operates. These facilities provide for a combined borrowing capacity of approximately $30 million for a number of working capital products. These facilities bear interest at benchmark rate plus margins between 3.0% and 4.5% and are due on demand. These facilities are collateralized by various Company assets and have a total outstanding balance of $29 million as of June 30, 2020.

Loan from related parties

On August 26, 2019, the Company entered into a Loan Agreement with Tribus Capital Limited, as lender ("Tribus"), pursuant to which Tribus made a single-draw unsecured term loan to the Company in the aggregate amount of $1.5 million. The Company has paid interest on such loan at the rate of 8.5% per annum. All principal and interest on the loan was paid on April 21, 2020. The amounts outstanding as at June 30, 2020 is nil.

On November 20, 2019, the Company entered into a Loan Agreement with Bluemoss Ergon Limited, as lender ("Bluemoss"), pursuant to which Bluemoss made a single-draw unsecured term loan to the Company in the aggregate amount of $1.75 million. The Company has paid interest on such loan at the rate of 8.5% per annum. All principal and interest on the loan was paid on April 22, 2020. The amounts outstanding as at June 30, 2020 is nil.

Term loan

On October 27, 2017, the Company entered into a Senior Term Agreement ("Term loan") to provide funding for the acquisition of ESM Holdings Limited and its subsidiaries in the amount of $140 million for a five year term. The Term loan was fully funded on November 22, 2017 and is to be repaid based on a quarterly repayment schedule beginning six months after the first utilization date.

On July 9, 2020, the Company entered into an Amended and Restated Facility Agreement to amend some of the terms of the Term Loan. The key terms amended include, deferment of principal repayment for the amounts due between May 2020 and Jan 2021. Testing of covenants were also waived for the calendar year 2020. Next principal repayment now due in February 2021 and covenant testing will be carried out for the quarter ended March 2021.

Principal payments due on the term loan are as follows:

Years		**Amount**
Remainder of 2020		-
2021		17,850
2022		103,950
Total	$	121,800

The Term loan has a floating interest rate of USD LIBOR plus 4.5% annually for the first year and thereafter the margin will range between 3.75% and 4.5% subject to certain financial ratios.

In connection with the Term loan, the Company incurred issuance costs of $7.3 million which are net against the Term loan on the balance sheet. Unamortized debt issuance costs as of June 30, 2020 amount to $3.4 million.The Company agreed to pay a one time consent fees to the lender consortium towards the Amendment Agreement entered into on July 9, 2020. The consent fee would be $0.921 million and will be payable no later than June 30, 2021.

Secured revolving credit facility

The Company had a secured revolving credit facility in Startek USA. Under this agreement, we may borrow the lesser of the borrowing base calculation and $40 million. As long as no default has occurred and with lender consent, we may increase the maximum availability to $60 million in $5 million increments, and we may request letters of credit in an amount equal to the aggregate revolving credit commitments. The borrowing base is generally defined as 90% of our eligible accounts receivable less certain reserves.

This facility was closed in April 2020 and the amounts outstanding as of June 30, 2020 is nil.

Non-recourse factoring

We have entered into factoring agreements with financial institutions to sell certain of our accounts receivable under non-recourse agreements. Under the arrangement, the Company sells the trade receivables on a non-recourse basis and accounts for the transactions as sales of receivables. The applicable receivables are removed from the Company's consolidated balance sheet when the cash proceeds are received by the Company. We do not service any factored accounts after the factoring has occurred. We utilize factoring arrangements as part of our financing for working capital. The aggregate gross amount factored under these agreements was $29.68 million for six months ended June 30, 2020.

Table of Contents

BMO Equipment Loan

On December 27, 2018, the Company executed an agreement to secure a loan against US and Canadian assets in the amount of $2.06 million at the interest of 7.57% per annum, to be repaid over 2.5 years. The loan was funded in January 2019.

Finance lease obligations

From time to time and when management believes it to be advantageous, we may enter into other arrangements to finance the purchase or construction of capital assets.

10. SHARE-BASED COMPENSATION

Amazon Warrant

On January 23, 2018, Startek entered into the Amazon Transaction Agreement, pursuant to which we agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon ("NV Investment"), a warrant (the "Warrant") to acquire up to 4,000,000 shares (the "Warrant Shares") of our common stock, par value $0.01 per share ("Common Stock"), subject to certain vesting events. On May 17, 2019, the Company issued and sold 692,520 shares of Common Stock to certain investors at a price per share of $7.48. The Warrant contains certain anti-dilution provisions and as a result of such offering, the total number of shares issuable to Amazon was adjusted from 4,000,000 to 4,002,964 and the exercise price of the Warrant was adjusted from $9.96 per share to $9.95 per share. On June 29, 2020, the Company issued and sold 1,540,041 shares of Common Stock to CSP Victory

Limited at a price per share of $4.87 per share. As a result of such transaction, the total number of shares issuable to Amazon has been adjusted from 4,002,964 to 4,006,051 and the exercise price of the Warrant was adjusted from $9.95 per share to $9.94 per share. We entered into the Amazon Transaction Agreement in connection with commercial arrangements between us and any of our affiliates and Amazon and/or any of its affiliates pursuant to which we and any of our affiliates provide and will continue to provide commercial services to Amazon and/or any of its affiliates. The vesting of the Warrant shares, described below, is linked to payments made by Amazon or its affiliates (directly or indirectly through third parties) pursuant to the commercial arrangements.

The first tranche of 425,532 Warrant Shares vested upon the execution of the Amazon Transaction Agreement. The remainder of the Warrant Shares will vest in various tranches based on Amazon's payment of up to $600 million to us or any of our affiliates in connection with the receipt by Amazon or any of its affiliates of commercial services from us or any of our affiliates. The Warrant Shares are exercisable through January 23, 2026.

The second tranche of 212,766 Warrant Shares vested on May 31, 2019. The amount of contra revenue attributed to these Warrant Shares is $730.

The third tranche of 212,953 Warrant Shares vested on Feb 29, 2020. The amount of contra revenue attributed to these Warrant Shares is $278 after adjusting the impact of $413 towards adoption of ASU 2019-08 on January 01, 2020 and $565 towards accrual till December 31, 2019, respectively using initial grant-date fair value.

As per ASC 606, the Company has accrued $485 for three month and $763 for six month respectively ended June 30, 2020 using initial grant-date fair value.

The contra-revenue and equity is estimated and recorded, using the Monte Carlo pricing model, when performance completion is probable, with adjustments in each reporting period until performance is complete in conformance with the requirements in ASC 606 and ASC 718.

The Warrant provides for net share settlement that, if elected by the holders, will reduce the number of shares issued upon exercise to reflect net settlement of the exercise price. The Warrant provides for certain adjustments that may be made to the exercise price and the number of shares of common stock issuable upon exercise due to customary anti-dilution provisions based on future events. Vested Warrant Shares are classified as equity instruments.

In line with ASU 2019-08, the Company has measured share-based payments at grant-date fair value, which will be the basis for the amount to be reduction in revenue. The Company has given the transitional impact of $413 in Equity in respect of awards wherein measurement date was not established or were not settled as of the beginning of financial year in which ASU is adopted (i.e. Jan 01, 2020).

Share-based compensation

Our share-based compensation arrangements include grants of stock options, restricted stock units and deferred stock units under the StarTek, Inc. 2008 Equity Incentive Plan and our Employee Stock Purchase Plan. The compensation expense that has been charged against income for the three months and six months ended June 30, 2020 was $(82) & $209. As of June 30, 2020, there was no unrecognized compensation expense related to non-vested stock options.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consisted of the following items:

	Foreign Currency Translation Adjustment	Derivatives Accounted for as Cash Flow Hedges	Defined Benefit Plan	Equity attributable to Startek shareholders	Non-controlling interests	Total
Balance at December 31, 2019	**$ (4,568)**	**$ 475**	**$ (1,929)**	**$ (6,022)**	**$ (1,597)**	**$ (7,619)**
Foreign currency translation	(3,665)	-	-	(3,665)	-	(3,665)
Reclassification to operations	-	(246)	-	(246)	-	(246)
Unrealized losses	-	(434)	-	(434)	-	(434)
Pension remeasurement	-	-	(1,006)	(1,006)	(1,624)	(2,630)
Balance at June 30, 2020	**$ (8,233)**	**$ (205)**	**$ (2,935)**	**$ (11,373)**	**$ (3,221)**	**$ (14,595)**

Table of Contents

12. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company provides business process outsourcing services ("BPO") to clients in a variety of industries and geographical locations. Our approach is focused on providing our clients with the best possible combination of services and delivery locations to meet our clients' needs in the best and most efficient manner. Our Chief Executive Officer (CEO) and President, who have been identified as the Chief Operating Decision Maker ("CODM"), reviews financial information mainly on a geographical basis.

In the fourth quarter of 2019, we reorganized our operating business model. Our new operating business model is focused on geographies in which we operate. Our CODM reviews the performance and makes resource allocation geography wise, hence the geographical level represents the operating segments of Startek, Inc.

Prior period results have been revised for segment disclosure to conform to current period presentation. We report our results of operations as follows in Six reportable segments:-
a) Americas

b) Middle East
c) Malaysia
d) India and Sri Lanka
e) Argentina & Peru
f) Rest of World

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenue:				
Americas	58,479	53,395	126,647	116,998
India & Sri Lanka	16,698	27,948	40,950	56,157
Malaysia	12,017	20,748	23,902	33,196
Middle East	36,243	34,216	70,760	65,334
Argentina & Peru	8,997	11,839	19,205	24,423
Rest of World	9,733	12,407	21,602	25,587
Total	**$ 142,167**	**$ 160,553**	**$ 303,066**	**$ 321,695**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Operating income (loss):				
Americas	$ (255)	$ (1,803)	$ 671	$ (938)
India & Sri Lanka	(210)	(878)	(905)	252
Malaysia	3,305	2,428	4,940	3,872
Middle East	598	4,127	2,215	5,384
Argentina & Peru	(376)	319	(360)	(120)
Rest of World	453	433	725	846
Segment operating income	**3,515**	**4,626**	**7,286**	**9,297**
Startek consolidation adjustments				
Goodwill impairment	-	-	22,708	-
Intangible amortization	2,581	2,748	5,163	5,376
Total operating income	**$ 934**	**$ 1,878**	**$ (20,585)**	**$ 3,920**

Property, plant and equipment, net by geography based on the location of the assets is presented below:

	As on June 30, 2020	As on December 31, 2019
Property, plant and equipment, net:		
Americas	12,750	14,156
India & Sri Lanka	13,219	10,772
Malaysia	4,063	4,375
Middle East	5,071	4,722
Argentina & Peru	1,488	1,701
Rest of World	1,053	1,781
Total	$ **37,644**	$ **37,507**

13. LEASES

We have operating and finance leases for service centers, corporate offices and certain equipment. Our leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases for up to 3-5 years, and some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating lease cost	7,111	7,901	14,370	15,441
Finance lease cost:				
Amortization of right-of-use assets	342	501	668	985
Interest on lease liabilities	30	15	74	43
Total Finance lease cost	**372**	**516**	**742**	**1,028**

Table of Contents

Supplemental cash flow information related to leases was as follows:

Six Months Ended	Six Months Ended

	June 30, 2020	June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	14,062	15,235
Operating cash flow from finance leases	74	43
Financing cash flows from finance leases	742	1,251
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	17,278	72,079
Finance leases	-	-

Supplemental balance sheet information related to leases was as follows:

	As of June 30, 2020	As of December 31, 2019
Operating leases		
Operating lease right-of-use assets	77,437	73,692
	-	-
Operating lease liabilities - Current	20,223	19,677
Operating lease liabilities - Non-current	58,251	54,341
Total operating lease liabilities	**78,474**	**74,018**
Finance Leases		
Property and equipment, at cost	5,173	4,391
Accumulated depreciation	(3,411)	(1,984)
Property and equipment, at net	**1,762**	**2,407**
	-	-
Finance lease liabilities - Current	631	632
Finance lease liabilities - Non-current	692	1,353
Total finance lease liabilities	**1,323**	**1,985**

Weighted average remaining lease term	As of June 30, 2020	As of December 31, 2019
Operating leases	4.49 yrs	4.66 yrs
Finance leases	1.42 yrs	1.92 yrs
Weighted average discount rate		
Operating leases	6.79%	7.27%
Finance leases	6.01%	6.01%

Maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
Year ending December 31,		
Remaining 2020	24,690	413
2021	15,924	577
2022	14,877	441
2023	12,116	-
2024	9,333	-
Thereafter	5,969	-
Total Lease payments	82,909	1,431
Less imputed interest	(4,435)	(108)
Total	**78,474**	**1,323**

14. SUBSEQUENT EVENT

On July 9, 2020, Startek entered into an amendment agreement for its senior term loan and revolving credit facility. Refer to Note 9 "Debt".

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2019 and with the information under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2019. All dollar amounts are presented in thousands other than per share data.

BUSINESS DESCRIPTION AND OVERVIEW

Startek is a global business process outsourcing company that provides omnichannel customer interactions, technology and back-office support solutions for some of the world's most iconic brands in a variety of vertical markets. Operating under the Startek and Aegis brand, we help these large global companies connect emotionally with their customers, solve issues, and improve net promoter scores and other customer-facing performance metrics. Through consulting and analytics services, technology-led innovation, and engagement solutions, we deliver personalized experiences at the point of conversation between our clients and their customers across every interaction channel and phase of the customer journey.

Startek has proven results for the multiple services we provide, including sales, order management and provisioning, customer care, technical support, receivables management, and retention programs. We manage programs using a variety of multi-channel customer interactions, including voice, chat, email, social media and back-office support. Startek has facilities in India, United States, Malaysia, Philippines, Australia, South Africa, Canada, Honduras, Jamaica, Kingdom of Saudi Arabia, Argentina, Peru and Sri Lanka.

SIGNIFICANT DEVELOPMENTS

Coronavirus

On March 11, 2020, the World Health Organization characterized the novel coronavirus ("COVID-19") a pandemic. The global nature, rapid spread and continually evolving response by governments throughout the world to combat the spread has had a negative impact on the global economy. Certain of our customer engagement centers have been impacted by local government actions restricting facility access or are operating at lower capacity utilization levels. In response to COVID-19, we have prioritized the safety and well-being of our employees, business continuity for our clients and supporting the efforts of governments around the world to contain the spread of the virus. In light of our commitment to help our clients as they navigate unprecedented business challenges while protecting the safety of our employees, we have taken numerous steps, and will continue to take further actions, to address the COVID-19 pandemic. We worked closely with our clients to support them as they implemented their contingency plans, helping them access our services and solutions remotely. In discussion with our clients and after obtaining appropriate clearances, we have gradually shifted many of our employees to a work-at-home model. However, in respect certain client projects work-from-home scenario may not be possible due to regulatory or other compliance requirements.

We continue to monitor the COVID-19 situation and its impacts globally. We are prioritizing the health and safety of our employees. Out of an abundance of caution for the health of our employees and to support local government initiatives to stem the spread of the virus, we implemented several precautions at various centers around the world at all times in compliance with local government requirements and Centers for Disease Control and Prevention ("CDC") guidelines. These include, but are not limited to:

- Limiting visitor site access to business-essential purposes;
- Introducing screening checks at certain sites where permissible or mandated;
- Enabling employees to work from home wherever and whenever required or appropriate;
- Continuously updating travel guidance, according to latest developments; and
- Complying with all local health authority guidance or regulations and our own protocols, including requesting employees to comply with self-quarantine requirements whenever advisable.

Considering the uncertainties, the current results and financial condition discussed herein may not be indicative of future operating results and trends.

RESULTS OF OPERATIONS — THREE MONTHS ENDED JUNE 30, 2020 AND 2019

Revenue

Our gross revenues for the three months ended June 30, 2020 decreased by 11.55% to $142,652 as compared to $161,283 for the three months ended June 30, 2019.

Our net revenue for the quarter ended June 30, 2020 and 2019:

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
Revenues	$ 142,652	$ 161,283
Warrant Contra Revenue	(485)	(730)
Net Revenue	142,167	160,553

Our net revenues adjusted for warrant contra revenue for the three months ended June 30, 2020 was lower at $142,167 compared to $160,553 for the three months ended June 30, 2019. The breakdown of our net revenues from various industry verticals for three months ended June 30, 2020 and June 30, 2019 is as follows:

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
Verticals:		
Telecom	35%	40%
E-commerce & Consumer	15%	15%
Financial & Business Services	7%	8%
Media & Cable	16%	15%
Travel & Hospitality	10%	11%
Healthcare & Education	6%	5%
Technology, IT & Related Services	3%	2%

Others	8%	4%

Our concentration to telecom vertical eased considerably in the past twelve months with the telecom vertical contributing to around 35% of our revenue for the three months ended June 30, 2020 as compared to 40% for the comparable three months ended June 30, 2019. The Company has partially offset this contraction in revenue percentage from telecom vertical with expansion in revenues from other verticals.

While our net revenues in the second quarter were negatively impacted by COVID-19, primarily related to lockdowns and lower active workforce, the Company did see improvement throughout the quarter as countries and states began to gradually re-open. For example, sales in Malaysia and Australia returned to growth in the second quarter. However, the ultimate COVID-19 impact on the fiscal year sales remains highly fluid and will continue to evolve with geographical re-openings and virus waves.

As of the end of July 2020, approximately 50% of agents who otherwise work in our brick-and-mortar facilities have transitioned to work at home, approximately 30% are working in our facilities and the remaining agents are at home but idle.

Table of Contents

Cost of services

Overall, cost of services as a percentage of revenue increased to 88.9% for the three months ended June 30, 2020 as compared to 82.8% for the three months ended June 30, 2019. Employee expenses, rent costs and Depreciation and amortization are the most significant costs for the Company, representing 78%, 5.9% and 4.6% of total Cost of services, respectively. The breakdown of cost of services is listed in the table below:

	Three Months Ended June 30,		As % of Revenue	
	2020	2019	2020	2019
Employee Benefit Expenses	$ 98,579	$ 101,397	69.3%	63.2%
Rent expense	7,515	7,895	5.3%	4.9%
Depreciation and amortization	5,754	5,436	4.0%	3.4%
Other	14,506	18,265	10.2%	11.4%
Total	**$ 126,354**	**$ 132,993**		

Employee Benefit expenses: Our business heavily relies on our employees to provide professional services to our clients. Thus, our most significant costs are payments made to agents, supervisors, and trainers who are directly involved in delivering services to the clients.

Employee expenses as a percentage of revenues increased to 69.3% for the current period as compared to 63.2% for the previous period. We have started taking mitigating steps to ensure that costs are brought down in line with revenues, such as reduction in support employee cost. The increase in employee costs, as a percentage of revenues, was largely attributable to deleveraging resulting from COVID-19 negative impact on revenues. The Company also had to incur higher costs on ensuring employees had a safe and secure work environment and following all the protocols and guidelines issued by various local authorities across the geographies we operate in. On a year on year basis, the costs were also impacted negatively by increase in minimum wages, primarily in India.

Rent expense: Rent expense as a percentage of revenue increased to 5.3% for the current period as compared to 4.9% for previous period. Rent expense increased as a percentage of sales driven by deleveraging resulting from the COVID-19 negative impact on revenues. The Company was able to negotiate partial relief from some landlords in terms of rent waivers for certain periods.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the current period was higher at 4.0% as compared 3.4% for the previous period driven by deleveraging resulting from the COVID-19 negative impact on revenues

.

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs decreased from 11.4% to 10.2%. The decrease was due to lower travelling expenses, communication expenses and recruitment charges

As a result, gross profit as a percentage of revenue for the current period decreased to 11.1% as compared to 17.2% for the previous period.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 15.5% in the previous period to 10.3% in the current period. The decrease was driven by savings in travel and meeting expenses as a result of COVID-19 related travel restrictions and lower incentive compensation.

Impairment Losses and Restructuring/Exit Cost, Net

Impairment losses and restructuring costs, net totaled $235 for the current period as compared to $721 for the previous period. The expense for the second quarter of 2020 primarily relates to employee related restructuring expenses.

.***Interest expense, net***

Interest expense, net totaled $3,190 for the current period as compared to $4,026 for the previous period. The interest expense is on our term debt and revolving line of credit facilities.

Income tax expense

Income tax expense for the current period was $1,283 compared to $730 for the previous period. The movement in interest cost and the implied effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate. Additionally, movement of funds between various geographies primarily to service our debt facilities also attract withholding taxes.

Table of Contents

RESULTS OF OPERATIONS — SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Revenue

Our gross revenues for the six months ended June 30, 2020 decreased by 5.77% to $303,829 as compared to $322,425 for the six months ended June 30, 2019.

Our net revenue for the six months ended June 30, 2020 and 2019:

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Revenues	$ 303,829	$ 322,425
Warrant Contra Revenue	(763)	(730)
Net Revenue	303,066	321,695

Table of Contents

Our net revenues adjusted for warrant contra revenue for the six months ended June 30, 2020 was lower at $303,066 compared to $321,695 for the six months ended June 30, 2019. The breakdown of our net revenues from various industry verticals for six months ended June 30, 2020 and June 30, 2019 is as follows:

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Verticals:		
Telecom	35%	40%
E-commerce & Consumer	16%	15%
Financial & Business Services	8%	8%
Media & Cable	15%	14%
Travel & Hospitality	10%	11%
Healthcare & Education	7%	6%
Technology, IT & Related Services	3%	2%
Others	6%	4%

Our concentration to telecom vertical eased considerably in the past twelve months with the telecom vertical contributing to around 35% of our revenue for the six months ended June 30, 2020 as compared to 40% for the comparable six months ended June 30, 2019. The Company has partially offset this contraction in revenue percentage from telecom vertical with expansion in revenues from other verticals.

While our net revenues in the second quarter were negatively impacted by COVID-19, primarily related to lockdowns and lower active workforce, the Company did see improvement throughout the quarter as countries and states began to gradually re-open. For example, sales in Malaysia and Australia returned to growth in the second quarter. However, the ultimate COVID-19 impact on the fiscal year sales remains highly fluid and will continue to evolve with geographical re-openings and virus waves.

As of the end of July 2020, approximately 50% of agents who otherwise work in our brick-and-mortar facilities have transitioned to work at home, approximately 30% are working in our facilities and the remaining agents are at home but idle.

Table of Contents

Cost of services

Overall, cost of services as a percentage of revenue increased to 88.2% for the six months ended June 30, 2020 as compared to 83.0% for the six months ended June 30, 2019. Employee expenses, rent costs and Depreciation and amortization are the most significant costs for the Company, representing 76.7%, 5.8% and 4.3% of total Cost of services, respectively. The breakdown of cost of services is listed in the table below:

	Six Months Ended June 30,		As % of Revenue	
	2020	2019	2020	2019
Employee Benefit Expenses	$ 204,968	$ 202,262	67.6%	62.9%
Rent expense	15,598	15,693	5.1%	4.9%
Depreciation and amortization	11,375	10,865	3.8%	3.4%
Other	35,254	38,101	11.6%	11.8%
Total	**$ 267,195**	**$ 266,921**		

Employee Benefit expenses: Our business heavily relies on our employees to provide professional services to our clients. Thus, our most significant costs are payments made to agents, supervisors, and trainers who are directly involved in delivering services to the clients.

Employee expenses as a percentage of revenues increased to 67.6% for the current period as compared to 62.9% for the previous period. The increase in employee costs, as a percentage of revenues, was largely attributable to deleveraging resulting from COVID-19 negative impact on revenues. The Company also had to incur higher costs on ensuring employees had a safe and secure work environment and following all the protocols and guidelines issued by various local authorities across the geographies we operate in. On a year on year basis, the costs were also impacted negatively by increase in minimum wages, primarily in India

*Rent expense:*Rent expense as a percentage of revenue increased to 5.1% for the current period as compared to 4.9% for previous. Rent expense increased as a percentage of sales driven by deleveraging resulting from the COVID-19 negative impact on revenues.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the current period was marginally higher at 3.8% as compared 3.4% for the previous period

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs marginally decreased from 11.8% to 11.6%. The decrease was due to lower outsourcing expenses and recruitment charges.

As a result, gross profit as a percentage of revenue for the current period decreased to 11.8% as compared to 17.0% for the previous period.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 15.2% in the previous period to 10.5% in the current period. The decrease was driven by savings in travel and meeting expenses as a result of COVID-19 related travel restrictions and lower incentive compensation.

Impairment Losses and Restructuring/Exit Cost, Net

Impairment losses and restructuring costs, net totaled $24,557 for the current period as compared to $1,850 for the previous period. The expense for current period primarily relates to goodwill impairment losses of $22,708 and restructuring expenses of $1,849. As a result of the recent global economic disruption and uncertainty due to the novel coronavirus ("COVID-19") pandemic the company has taken goodwill impairment charge of $15,820, $4,332 and $2,556, was recorded for India, South Africa and Australia reporting units respectively due to the business outlook.

Interest expense, net

Interest expense, net totaled $6,696 for the current period as compared to $8,492 for the previous period. The interest expense is on our term debt and revolving line of credit facilities.

Income tax expense

Income tax expense for the current period was $4,159 compared to $1,113 for the previous period. The movement in interest cost and the implied effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate. Additionally, movement of funds between various geographies primarily to service our debt facilities also attract withholding taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows generated by operating activities, our working capital facilities, and term debt. We have historically utilized these resources to finance our operations and make capital expenditures associated with capacity expansion, upgrades of information technologies and service offerings, and business acquisitions. Due to the timing of our collections of receivables due from our major customers, we have historically needed to draw on our working capital facilities periodically for ongoing working capital needs. The Company expects to meet all its debt obligations in a timely manner

Considering recent market conditions and the on-going COVID-19 crisis, the Company has re-evaluated its operating cash flows and liquidity profile and does not foresee any significant incremental risk. We continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. Our most recent liquidity measures include negotiating an amended and restated senior facilities agreement which provides us deferment of principal repayments scheduled between May 2020 and January 2021. This provides us additional short-term liquidity which can be used to meet general working capital requirements of the Company. The Company also raised capital by issuing fresh equity shares on a private placement basis to entities affiliated to Capital Square Partners, the principal shareholder of the Company. Additionally, we continue to limit discretionary spending across the organization and re-prioritizing our capital projects amid the COVID-19 pandemic.

Cash and cash equivalents and restricted cash

As at June 30, 2020, cash, cash equivalents and restricted cash held by the Company and all its foreign subsidiaries increased by $23,791 to $56,417 as compared to $32,626 on December 31, 2019. Under current tax laws and regulations, if cash and cash equivalents held outside the United States are distributed to the United States in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes. The restricted cash balance as at June 30, 2020 stood at $8,966 as compared to $12,162 as at December 31, 2019. The restricted cash pertains to debt service reserve account (DSRA) that we have to maintain in accordance with the Senior Term Agreement and also for certain term deposits that need to be maintained in accordance with some of our lease and client agreements. As part of the negotiated amendment and restated facilities agreement, the existing cash balance in the DSRA shall be temporarily released in phases and can be utilized to meet interest payment obligations towards the senior term facilities. The Company will have to restore DSRA by May 2021.

Cash flows from operating activities

For the six months ended June 30, 2020 and June 30, 2019 we reported net cash flows generated from operating activities of $48,397 and used in operating activities $5,427 respectively. The $53,824 increase in net cash flows from operating activities was due to a net increase of $53,974 in cash flows from assets and liabilities, a $25,660 increase in non-cash reconciling items such as goodwill impairment deferred tax expense, depreciation and amortization and warrant contra revenue, and a decrease of $(25,810) in net income. The increase in cash flows from assets and liabilities was driven primarily by sale of certain accounts receivables under a non-recourse factoring arrangement

Cash flows used in investing activities

For the six months ended June 30, 2020, and June 30, 2019 we reported net cash used in investing activities of $7,469 and $5,973 respectively. Net cash used in investing activities for both the periods primarily consisted of capital expenditures.

Cash flows generated from financing activities

For the six months ended June 30, 2020 and June 30, 2019 we reported net cash flows used in financing activities of $16,640 and generated from financing activities of $12,779, respectively. During the six months ended June 30, 2020 our net borrowings decreased by $24,649 mainly due to full repayment of asset-backed line of credit facility in the USA from the proceeds of the non-recourse factoring arrangement. The Company collected $8,009 from the issuance of common stock out of which $7,500 was from the issue of common stock to an affiliate of Capital Square Partners, the principal shareholder of the Company.

Debt

For more information, refer to Note 9, "Debt," and Note 14 "Subsequent events" to our unaudited condensed consolidated financial statements included in Item 1, "Financial Statements."

CONTRACTUAL OBLIGATIONS

Smaller reporting companies are not required to provide the information required by this item.

OFF-BALANCE SHEET ARRANGEMENTS

Apart from certain non-recourse receivables factoring as mentioned in the note 9 of the notes to the consolidated financial statements, we have no other material off-balance sheet transactions, unconditional purchase obligations or similar instruments, and we are not a guarantor of any other entities' debt or other financial obligations

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VARIABILITY OF OPERATING RESULTS

We have experienced and expect to continue to experience some quarterly variations in revenue and operating results due to a variety of factors, many of which are outside our control, including: (i) timing and amount of costs incurred to expand capacity in order to provide for volume growth from existing and future clients; (ii) changes in the volume of services provided to clients; (iii) expiration or termination of client projects or contracts; (iv) timing of existing and future client product launches or service offerings; (v) seasonal nature of certain clients' businesses; and (vi) variability in demand for our services by our clients depending on demand for their products or services, and/or depending on our performance; (vii) Due to COVID- 19 pandemic.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in conformity with US-GAAP, management must undertake decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions upon which accounting estimates are based. Management applies its best judgment based on its understanding and analysis of the relevant circumstances to reach these decisions. By their nature, these judgments are subject to an inherent degree of uncertainty. Accordingly, actual results may vary significantly from the estimates we have applied.

Please refer to Note 2 of the Notes to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2019 for a complete description of our critical accounting policies and estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As Startek has now qualified for Smaller Reporting Company status, this disclosure is not required.

ITEM 4. CONTROLS AND PROCEDURES

Pursuant to Rule 13a-15(b) and Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, with the participation of our management, and under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of June 30, 2020. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

In the process of evaluation, the management also reviewed the impact of COVID-19 pandemic on the internal control framework. Accordingly additional compensating controls which were additionally implemented during this interim period were tested and documented.

The material weakness identified as of 31st December, 2019 relating to certain information technology general control was remediated during the quarter ended June 30, 2020, through introduction of necessary access and review controls.

Except as noted in the above paragraphs, there has been no changes in our internal controls over financial reporting during the quarter ended June 30, 2020 that has materially affected or is reasonably expected to have a material effect on our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, except for the following

The recent Coronavirus or COVID-19 outbreak continues to expand and may adversely affect our financial condition and results of operations for 2020.

The recent government-imposed restrictions around the world have significantly impacted businesses and their workforces. Most of the geographies in which we operate have been affected by local lockdowns or restrictions on facilities access. Other geographies may be impacted as the coronavirus/COVID-19 spreads and/or existing restrictions may be extended/strengthened. At this point, it is impossible to predict the degree to which supply and demand for our outsourcing services will be affected, as well as the duration of such impact. This uncertainty makes it challenging for management to estimate the future performance of our businesses. However, the impact of COVID-19 will have an adverse impact on our results of operations over the near to medium term.

Given the overall uncertainty and fluidity of the current global pandemic response, coupled with how various government-imposed limitations may translate into client service delivery constraints, the Company may identify additional risk factors going forward which will be provided in the Quarterly Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

INDEX OF EXHIBITS

Exhibit No.		Incorporated Herein by Reference		
		Exhibit Description	Exhibit	Filing Date
10.1	Form of Stock Purchase Agreement by and between the Company and CSP Victory Limited, dated as of June 29, 2020	8-K	10.1	July 6, 2020
10.2	Form of Registration Rights Agreement by and between the Company and CSP Victory Limited, dated as of June 29, 2020	8-K	10.2	July 6, 2020
10.3	Letter Agreement between the company and Aparup Sengupta dated July 1, 2020	8-K	10.3	July 8, 2020
10.4	Amendment Agreement, dated July 9, 2020, by and among CSP Alpha Holding Pte. Ltd , the company and DBS Bank LTD, as agent	8-K	10.4	July 13, 2020
10.5	Amended and Restated Facilities Agreement, dated July 9, 2020, between, among others, CSP Alpha Holdings Pte Ltd., as Original Borrower, and DBS Bank Ltd., ING Bank N.V., Singapore Branch and Standard Chartered Bank, as Mandated Lead Arrangers and Bookrunners	8-K	10.5	July 13, 2020

31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Written Statement of the Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials are formatted in Extensible Business Reporting Language (iXBRL): (i) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three Months Ended June 30, 2020 and 2019 (Unaudited), (ii) Consolidated Balance Sheets as of June 30, 2020 (Unaudited) and December 31, 2019, (iii) Consolidated Statements of Cash Flows for the Three Months Ended June 30, 2020 and 2019 (Unaudited) and (iv) Notes to Consolidated Financial Statements (Unaudited)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with this Form 10-Q.

Table of Contents

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

STARTEK, INC.

By: /s/ Aparup Sengupta Date: August 10, 2020
Aparup Sengupta
Global CEO
(principal executive officer)

By: /s/ Ramesh Kamath Date: August 10, 2020
Ramesh Kamath
Chief Financial Officer
(principal financial and accounting officer)

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Aparup Sengupta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of StarTek, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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(s) 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: August 10, 2020

/s/ Aparup Sengupta
Aparup Sengupta
Global CEO

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Ramesh Kamath, certify that:

1. I have reviewed this quarterly report on Form 10-Q of StarTek, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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(s) 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: August 10, 2020

/s/ Ramesh Kamath
Ramesh Kamath
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS

In connection with the Quarterly Report of StarTek, Inc. on Form 10-Q for the quarterly period ended 31st March 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned individuals, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: August 10, 2020	/s/ Aparup Sengupta Aparup Sengupta Chief Executive Officer
Date: August 10, 2020	/s/ Ramesh Kamath Ramesh Kamath Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.