

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2021**

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
<b>Common Stock, \$0.01 par value</b>	<b>SRT</b>	<b>New York Stock Exchange, Inc.</b>

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

Non-accelerated filer

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 October 31, 2021, there were 40,804,379 shares of Common Stock outstanding.

**STARTEK, INC. AND SUBSIDIARIES**  
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## 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, 2020 filed with the Securities and Exchange Commission (“SEC”) on March 16, 2021 and this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021. 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 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**  
**CONSOLIDATED STATEMENT OF INCOME (LOSS)**

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	172,948	163,097	525,879	466,926
Warrant contra revenue	(161)	(410)	(991)	(1,173)
<b>Net revenue</b>	<b>\$ 172,787</b>	<b>\$ 162,687</b>	<b>\$ 524,888</b>	<b>\$ 465,753</b>
Cost of services	(151,264)	(140,392)	(454,124)	(408,747)
<b>Gross profit</b>	<b>\$ 21,523</b>	<b>\$ 22,295</b>	<b>\$ 70,764</b>	<b>\$ 57,006</b>
Selling, general and administrative expenses	(13,099)	(14,292)	(39,568)	(45,030)
Impairment losses and restructuring/exit cost	(85)	12	(1,964)	(24,545)
<b>Operating income/ (loss)</b>	<b>\$ 8,339</b>	<b>\$ 8,015</b>	<b>\$ 29,232</b>	<b>\$ (12,569)</b>
Share of loss of equity-accounted investees	(46)	(5)	(1)	(25)
Interest expense, net	(2,236)	(3,988)	(18,489)	(10,683)
Exchange gain / (loss), net	(533)	(621)	42	(331)
<b>Income/ (loss) before income taxes</b>	<b>\$ 5,524</b>	<b>\$ 3,401</b>	<b>\$ 10,784</b>	<b>\$ (23,609)</b>
Income tax expense	(2,402)	(1,649)	(9,397)	(5,808)
<b>Net income/ (loss)</b>	<b>\$ 3,122</b>	<b>\$ 1,752</b>	<b>\$ 1,387</b>	<b>\$ (29,417)</b>
<b>Net income/ (loss)</b>				
Net income attributable to non-controlling interests	3,046	1,385	6,581	1,990
Net income/ (loss) attributable to Startek shareholders	76	367	(5,194)	(31,407)
Net income/ (loss) per common share - basic	\$ 0.00	\$ 0.01	\$ (0.13)	\$ (0.80)
Net income/ (loss) per common share - diluted	\$ 0.00	\$ 0.01	\$ (0.13)	\$ (0.80)
Weighted average common shares outstanding - basic	40,788	40,275	40,723	39,143
Weighted average common shares outstanding - diluted	41,094	40,626	41,171	39,143

**STARTEK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)**

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income/ (loss)</b>	<b>\$ 3,122</b>	<b>\$ 1,752</b>	<b>\$ 1,387</b>	<b>\$ (29,417)</b>
Net income attributable to non-controlling interests	3,046	1,385	6,581	1,990
<b>Net income/ (loss) attributable to Startek shareholders</b>	<b>76</b>	<b>367</b>	<b>(5,194)</b>	<b>(31,407)</b>
<b>Other comprehensive income/ (loss), net of taxes:</b>				
Foreign currency translation adjustments	(179)	936	(2,147)	(2,729)
Change in fair value of derivative instruments	-	103	8	(577)
Pension amortization	(669)	774	(1,090)	(1,856)
<b>Other comprehensive income/ (loss)</b>	<b>\$ (848)</b>	<b>\$ 1,813</b>	<b>\$ (3,229)</b>	<b>\$ (5,162)</b>
<b>Other comprehensive income/ (loss), net of taxes</b>				
Other comprehensive income/ (loss) attributable to non-controlling interests	(374)	413	(443)	(1,211)
Other comprehensive income/ (loss) attributable to Startek shareholders	(474)	1,400	(2,786)	(3,951)
	<b>\$ (848)</b>	<b>\$ 1,813</b>	<b>\$ (3,229)</b>	<b>\$ (5,162)</b>
<b>Comprehensive income/ (loss)</b>				
Comprehensive income attributable to non-controlling interests	2,672	1,798	6,138	779
Comprehensive income/ (loss) attributable to Startek shareholders	(398)	1,767	(7,980)	(35,358)
	<b>\$ 2,274</b>	<b>\$ 3,565</b>	<b>\$ (1,842)</b>	<b>\$ (34,579)</b>

See Notes to Consolidated Financial Statements.

**STARTEK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

(In thousands, except share data)

(Unaudited)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	56,840	44,507
Restricted cash	6,634	6,052
Trade accounts receivables, net	68,504	83,560
Unbilled revenue	62,066	49,779
Prepaid and other current assets	13,928	14,542
<b>Total current assets</b>	<b>\$ 207,972</b>	<b>\$ 198,440</b>
<b>Non-current assets</b>		
Property, plant and equipment, net	35,228	34,225
Operating lease right-of-use assets	56,775	69,376
Intangible assets, net	92,695	100,440
Goodwill	183,397	183,397
Investment in equity-accounted investees	25,006	111
Deferred tax assets, net	3,273	5,294
Prepaid expenses and other non-current assets	15,482	13,370
<b>Total non-current assets</b>	<b>\$ 411,856</b>	<b>\$ 406,213</b>
<b>Total assets</b>	<b>\$ 619,828</b>	<b>\$ 604,653</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Trade accounts payables	6,351	20,074
Accrued expenses	57,193	57,118
Short term debt	3,929	15,505
Current maturity of long term debt	2,217	2,180
Current maturity of operating lease obligation	17,825	19,327
Other current liabilities	43,801	39,987
<b>Total current liabilities</b>	<b>\$ 131,316</b>	<b>\$ 154,191</b>
<b>Non-current liabilities</b>		
Long term debt	164,240	118,315
Operating lease liabilities	41,176	52,052
Other non-current liabilities	17,412	15,498
Deferred tax liabilities, net	17,616	17,715
<b>Total non-current liabilities</b>	<b>\$ 240,444</b>	<b>\$ 203,580</b>
<b>Total liabilities</b>	<b>\$ 371,760</b>	<b>\$ 357,771</b>
<b>Stockholders' equity:</b>		
Common stock, 60,000,000 non-convertible shares, \$0.01 par value, authorized; 40,859,738 and 40,453,462 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	409	405
Additional paid-in capital	292,053	288,700
Accumulated deficit	(90,737)	(85,543)
Treasury stock, 57,759 shares and nil shares at September 30, 2021 and December 31, 2020, respectively, at cost	(329)	-
Accumulated other comprehensive loss	(10,072)	(7,286)
<b>Equity attributable to Startek shareholders</b>	<b>\$ 191,324</b>	<b>\$ 196,276</b>
Non-controlling interests	56,744	50,606
<b>Total stockholders' equity</b>	<b>\$ 248,068</b>	<b>\$ 246,882</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 619,828</b>	<b>\$ 604,653</b>

*See Notes to Consolidated Financial Statements.*

**STARTEK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
<b>Net income/ (loss)</b>	\$ 1,387	\$ (29,417)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	20,398	21,279
Impairment of goodwill	-	22,708
Profit on sale of property, plant and equipment	(37)	181
Provision for doubtful accounts	23	2,089
Amortisation of debt issuance cost	2,980	1,148
Amortisation of call option premium	360	-
Warrant contra revenue	991	1,173
Share-based compensation expense	932	447
Deferred income taxes	1,838	1,192
Share of loss of equity-accounted investees	1	25
<b>Changes in operating assets and liabilities:</b>		
Trade accounts receivables	13,120	26,171
Prepaid expenses and other assets	(11,968)	(117)
Trade accounts payables	(13,409)	(10,155)
Income taxes, net	(602)	1,300
Accrued expenses and other liabilities	6,543	27,421
<b>Net cash generated from operating activities</b>	<b>\$ 22,557</b>	<b>\$ 65,445</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(13,358)	(10,141)
Investment in equity-accounted investees	(25,000)	-
Payments for call option premium	(3,000)	-
Proceeds from equity-accounted investees	102	429
<b>Net cash used in investing activities</b>	<b>\$ (41,256)</b>	<b>\$ (9,712)</b>
<b>Financing Activities</b>		
Proceeds from the issuance of common stock	1,434	8,379
Proceeds from long term debt	165,000	-
Payments on long term debt	(117,600)	(4,200)
Payments for loan fees related to long term debt	(2,794)	-
Payments on other debt, net	(13,145)	(35,697)
Common stock repurchase	(329)	0
<b>Net cash generated from/ (used in) financing activities</b>	<b>\$ 32,566</b>	<b>\$ (31,518)</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,867</b>	<b>24,215</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(952)	(256)
Cash and cash equivalents and restricted cash at beginning of period	50,559	32,626
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 63,474</b>	<b>\$ 56,585</b>
<b>Components of cash and cash equivalents and restricted cash</b>		
Balance with banks	56,840	48,463
Restricted cash	6,634	8,122
<b>Total cash and cash equivalents and restricted cash</b>	<b>\$ 63,474</b>	<b>\$ 56,585</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest and other finance costs	19,985	10,392
Cash paid for income taxes	7,884	2,752
Non-cash warrant contra revenue	991	1,173
Non-cash share-based compensation expenses	932	447

*See Notes to Consolidated Financial Statements.*

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

	Common Stock		Treasury Stock		Other Items of OCI							Equity attributable to Startek shareholders	Non-controlling interest	Total stockholders' equity
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation	Change in fair value of derivative instruments	Unrecognised pension cost					
<b>Three months ended</b>														
<b>Balance at June 30, 2021</b>	<b>40,796,179</b>	<b>\$ 408</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 291,401</b>	<b>\$ (90,813)</b>	<b>\$ (6,497)</b>	<b>\$ -</b>	<b>\$ (3,101)</b>	<b>\$ 191,398</b>	<b>\$ 54,072</b>	<b>\$ 245,470</b>		
Issuance of common stock	63,559	1	-	-	150	-	-	-	-	151	-	151		
Share-based compensation expenses	-	-	-	-	341	-	-	-	-	341	-	341		
Warrant expenses	-	-	-	-	161	-	-	-	-	161	-	161		
Net income (loss)	-	-	-	-	-	76	-	-	-	76	3,046	3,122		
Other comprehensive loss for the period	-	-	-	-	-	-	(179)	-	(295)	(474)	(374)	(848)		
Repurchase of common stock	-	-	57,759	(329)	-	-	-	-	-	(329)	-	(329)		
<b>Balance at September 30, 2021</b>	<b>40,859,738</b>	<b>\$ 409</b>	<b>57,759</b>	<b>\$ (329)</b>	<b>\$ 292,053</b>	<b>\$ (90,737)</b>	<b>\$ (6,676)</b>	<b>\$ -</b>	<b>\$ (3,396)</b>	<b>\$ 191,324</b>	<b>\$ 56,744</b>	<b>\$ 248,068</b>		
<b>Balance at June 30, 2020</b>														
<b>Balance at June 30, 2020</b>	<b>40,210,299</b>	<b>\$ 401</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 286,205</b>	<b>\$ (78,332)</b>	<b>\$ (8,233)</b>	<b>\$ (205)</b>	<b>\$ (2,935)</b>	<b>\$ 196,901</b>	<b>\$ 45,720</b>	<b>\$ 242,621</b>		
Issuance of common stock	78,154	2	-	-	368	-	-	-	-	370	-	370		
Share-based compensation expenses	-	-	-	-	238	-	-	-	-	238	-	238		
Warrant expenses	-	-	-	-	410	-	-	-	-	410	-	410		
Net income (loss)	-	-	-	-	-	367	-	-	-	367	1,385	1,752		
Other comprehensive loss for the period	-	-	-	-	-	-	936	103	361	1,400	413	1,813		
Repurchase of common stock	-	-	57,759	(329)	-	-	-	-	-	(329)	-	(329)		
<b>Balance at September 30, 2020</b>	<b>40,288,453</b>	<b>\$ 403</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 287,221</b>	<b>\$ (77,965)</b>	<b>\$ (7,297)</b>	<b>\$ (102)</b>	<b>\$ (2,574)</b>	<b>\$ 199,686</b>	<b>\$ 47,518</b>	<b>\$ 247,204</b>		
<b>Nine months ended</b>														
<b>Balance at December 31, 2020</b>	<b>40,453,462</b>	<b>\$ 405</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 288,700</b>	<b>\$ (85,543)</b>	<b>\$ (4,529)</b>	<b>\$ (8)</b>	<b>\$ (2,749)</b>	<b>\$ 196,276</b>	<b>\$ 50,606</b>	<b>\$ 246,882</b>		
Issuance of common stock	406,276	4	-	-	1,430	-	-	-	-	1,434	-	1,434		
Share-based compensation expenses	-	-	-	-	932	-	-	-	-	932	-	932		
Warrant expenses	-	-	-	-	991	-	-	-	-	991	-	991		
Net income (loss)	-	-	-	-	-	(5,194)	-	-	-	(5,194)	6,581	1,387		
Other comprehensive loss for the period	-	-	-	-	-	-	(2,147)	8	(647)	(2,786)	(443)	(3,229)		
Repurchase of common stock	-	-	57,759	(329)	-	-	-	-	-	(329)	-	(329)		
<b>Balance at September 30, 2021</b>	<b>40,859,738</b>	<b>\$ 409</b>	<b>57,759</b>	<b>\$ (329)</b>	<b>\$ 292,053</b>	<b>\$ (90,737)</b>	<b>\$ (6,676)</b>	<b>\$ -</b>	<b>\$ (3,396)</b>	<b>\$ 191,324</b>	<b>\$ 56,744</b>	<b>\$ 248,068</b>		
<b>Balance at December 31, 2019</b>	<b>38,525,636</b>	<b>\$ 385</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 276,827</b>	<b>\$ (46,145)</b>	<b>\$ (4,568)</b>	<b>\$ 475</b>	<b>\$ (1,929)</b>	<b>\$ 225,045</b>	<b>\$ 46,739</b>	<b>\$ 271,784</b>		
Transition period adjustment pursuant to ASU 2019-08	-	-	-	-	413	(413)	-	-	-	-	-	-		
Issuance of common stock	1,762,817	18	-	-	8,361	-	-	-	-	8,379	-	8,379		
Share-based compensation expenses	-	-	-	-	447	-	-	-	-	447	-	447		
Warrant expenses	-	-	-	-	1,173	-	-	-	-	1,173	-	1,173		
Net income (loss)	-	-	-	-	-	(31,407)	-	-	-	(31,407)	1,990	(29,417)		
Other comprehensive loss for the period	-	-	-	-	-	-	(2,729)	(577)	(645)	(3,951)	(1,211)	(5,162)		
<b>Balance at September 30, 2020</b>	<b>40,288,453</b>	<b>\$ 403</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 287,221</b>	<b>\$ (77,965)</b>	<b>\$ (7,297)</b>	<b>\$ (102)</b>	<b>\$ (2,574)</b>	<b>\$ 199,686</b>	<b>\$ 47,518</b>	<b>\$ 247,204</b>		

**STARTEK, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(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 leading global provider of technology-enabled business process management solutions. The Company provides omni-channel customer experience, digital transformation, and technology services to some of the finest brands globally. Startek is committed to impacting clients' business outcomes by focusing on enhancing customer experience and digital enablement across all touchpoints and channels. Startek has more than 46,000 CX experts globally spread across 46 delivery campuses in 13 countries. The Company services over 200 clients across various industries such as Banking and Financial Services, Insurance, Technology, Telecom, Healthcare, Travel and Hospitality, Consumer Goods, Retail, and Energy and Utilities.

The Company offers a repository of digital and omnichannel solutions based on decades of experience in driving growth by putting the customer at the center of our business. Because no one solution fits all, we have crafted solution delivery to suit various industries. Startek has delivery campuses across 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 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 sheet. The non-controlling interest in our consolidated net income is reported as "Net income (loss) attributable to non-controlling interests" in our consolidated statement of income (loss).

As of December 31, 2020, the consolidated balance sheet 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, 2020.

The figures for the corresponding previous year have been regrouped/reclassified wherever necessary, to make them comparable.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Use of Estimates*

The preparation of 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, leases and provision for doubtful debts, and restructuring costs. Management believes that the estimates used in the preparation of the 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 consolidated financial statements.

### *Revenue*

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

### *Leases*

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 sheet. Finance leases are included in property plant and equipment, long-term debt, accrued expenses, and other current liabilities in our consolidated balance sheet.

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 the 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 to 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.

Rent discounts and deferment of rent that were received due to COVID-19 have been accounted for without lease modification using the practical expedient provided by the FASB. Refer to Note 13 "Leases" for information and related disclosures.

### ***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 be 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 the 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. Refer to Note 3 on "Goodwill and Intangible assets" for further information.

### ***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 where 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 re-measurement of the local books to USD. Exchange gains and losses are recorded through net income instead of 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.

### ***Investment in equity-accounted investees***

Investment in equity-accounted investee is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the investee's financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in equity-accounted investee is accounted using the equity method of accounting. Under the equity method, the investment in equity-accounted investees is initially recognized at cost and adjusted thereafter for the post-acquisition changes in the Company's share of net assets of the equity-accounted investees. Goodwill relating to an investment in equity-accounted investees, if any, is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income (loss) reflects the Company's share of the results of operations of the equity-accounted investees. When there has been a change recognized directly in the equity of the equity-accounted investees, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of stockholders' equity. Unrealized gains and losses resulting from transactions between the Company and the equity-accounted investment are eliminated to the extent of the interest in the equity-accounted investees. The Company's share of profit/loss of equity-accounted investees is shown on the face of the consolidated statement of income (loss).

The financial statements of the equity-accounted investee are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After the application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in equity-accounted investees is impaired if there has been other than a temporary decline in carrying value. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of income/ (loss) of equity-accounted investees' in the consolidated statement of income (loss).

### ***Stock-Based Compensation***

We recognize expenses 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 expenses. 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 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. 2020-04, "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 December 31, 2022. The Company is still in the process of assessing the impact of this ASU.

### 3. GOODWILL AND INTANGIBLE ASSETS

#### Goodwill

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

Reporting Units	September 30, 2021	December 31, 2020
Americas	64,315	64,315
India	12,554	12,554
Malaysia	47,543	47,543
Saudi Arabia	54,840	54,840
Australia	4,145	4,145
<b>Total</b>	<b>\$ 183,397</b>	<b>\$ 183,397</b>

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 assumptions used in the analysis are based on the Company's internal budget. The Company projects revenue, operating margins, and cash flows for a period of five years and applies 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. In arriving at its forecasts, the Company considers past experience, economic trends and inflation, and industry and market trends, including the outbreak of COVID-19. The projections also take into account factors such as the expected impact from new client wins and expansion from existing clients' businesses and efficiency initiatives, and the maturity of the markets in which each business operates.

As of September 30, 2021, based on the management assessment, we concluded that there is no impairment of goodwill.

The following table presents the changes in goodwill during the nine months ended September 30, 2021 and year ended December 31, 2020:

	September 30, 2021	December 31, 2020
Opening balance	183,397	219,341
Impairment	-	(35,944)
Ending balance	<b>\$ 183,397</b>	<b>\$ 183,397</b>

#### Intangible Assets

The following table presents our intangible assets:

	As of September 30, 2021			Weighted Average Amortization Period (years)
	Gross Intangibles	Accumulated Amortization	Net Intangibles	
Customer relationships	66,220	20,479	45,741	6.5
Brand	49,500	14,150	35,350	7.1
Trademarks	13,210	2,816	10,394	7.5
Other intangibles	2,130	920	1,210	4.9
	<b>\$ 131,060</b>	<b>\$ 38,365</b>	<b>\$ 92,695</b>	

	As of December 31, 2020			Weighted Average Amortization Period (years)
	Gross Intangibles	Accumulated Amortization	Net Intangibles	
Customer relationships	66,220	16,289	49,931	6.5
Brand	49,500	11,408	38,092	7.1
Trademarks	13,210	2,155	11,055	7.5
Other intangibles	2,130	768	1,362	4.9
	<b>\$ 131,060</b>	<b>\$ 30,620</b>	<b>\$ 100,440</b>	

As of September 30, 2021, based on the qualitative assessment, we concluded there is no impairment of the Company's intangible assets.

Expected future amortization of intangible as of September 30, 2021 is as follows:

Years ending December 31,	Amount
Remainder of 2021	2,602
2022	10,350
2023	10,306
2024	10,252
2025	10,252
Thereafter	48,933

#### 4. REVENUE

The Company follows a five-step process in accordance with ASC 606, for revenue recognition that focuses on the transfer of control, rather than the 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 most 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.

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 the 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 the 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.

**Disaggregated Revenue**

Revenues by our clients' industry verticals for the three and nine months ended September 30, 2021 and 2020 respectively:

Vertical:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Telecom	56,676	54,834	161,961	160,362
E-commerce & Consumer	22,434	23,320	74,757	71,884
Healthcare & Education	15,315	18,774	73,020	44,757
Media & Cable	22,863	25,536	72,435	70,801
Financial & Business Services	17,161	12,208	48,374	36,034
Travel & Hospitality	12,027	15,063	33,066	45,028
Technology, IT & Related Services	5,125	4,813	15,064	14,310
All other verticals	21,347	8,549	47,202	23,750
<b>Gross revenue</b>	<b>172,948</b>	<b>163,097</b>	<b>525,879</b>	<b>466,926</b>
Less: Warrant contra revenue	(161)	(410)	(991)	(1,173)
<b>Net revenue</b>	<b>\$ 172,787</b>	<b>\$ 162,687</b>	<b>\$ 524,888</b>	<b>\$ 465,753</b>

## 5. NET INCOME / (LOSS) PER SHARE

Basic earnings per common share are computed based on our weighted average number of common shares outstanding. Diluted earnings per share are 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.

For three and nine months ended September 30, 2021 and 2020, the following number of shares were used in the computation of basic and diluted earnings per share calculation (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Shares used in basic earnings per share calculation</b>	40,788	40,275	40,723	39,143
Effect of dilutive securities:				
Stock options	306	351	448	-
Restricted stock/Deferred stock units	-	-	-	-
<b>Total effects of dilutive securities</b>	<b>306</b>	<b>351</b>	<b>448</b>	<b>-</b>
<b>Shares used in dilutive earnings per share calculation</b>	<b>41,094</b>	<b>40,626</b>	<b>41,171</b>	<b>39,143</b>

The Company always maintained Startek's 2008 Equity Incentive Plan (see Note 10, "Share-based compensation and employee benefit plans" for more information).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Anti-dilutive securities:</b>				
Stock options and warrants	48	211	70	2,334

## 6. IMPAIRMENT LOSSES & RESTRUCTURING/EXIT COST

### Impairment Loss

As of September 30, 2021, based on the management assessment, we concluded that there is no impairment of goodwill.

### Restructuring / Exit Cost

The table below summarizes the balance of accrued restructuring cost, voluntary/involuntary termination costs, and other acquisition-related costs, which are included in other accrued liabilities in our consolidated balance sheet. The changes during the nine months ended September 30, 2021 and the year ended December 31, 2020.

	Employee related	Facilities related	Total
<b>Balance as of December 31, 2020</b>	-	25	25
Accruals/(reversals)	1,926	38	1,964
Payments	(1,868)	(63)	(1,931)
<b>Balance as of September 30, 2021</b>	<b>\$ 58</b>	<b>\$ -</b>	<b>\$ 58</b>
	Employee related	Facilities related	Total
<b>Balance at December 31, 2019</b>	1,326	514	1,840
Accruals/(reversals)	1,499	356	1,855
Payments	(2,825)	(845)	(3,670)
<b>Balance at December 31, 2020</b>	<b>\$ -</b>	<b>\$ 25</b>	<b>\$ 25</b>

### Employee related

In 2021, the Company has closed one of its facilities in Canada, where we have terminated service of number of employees. We have also offered a voluntary retirement plan to certain employees in one other geography. We have recognized a provision for employee-related costs regarding the above voluntary/involuntary termination. We expect to pay the remaining termination costs of \$58 by the end of the fourth 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 are 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 to associate the hedges' results with forecasted expenses.

The Company had terminated all cash flow hedges contracts early in April 2020 due to a change in counterparty relationship, hence balance as of September 30, 2021 is nil.

	<u>Gain (Loss) Recognized in AOCI, net of tax Nine Months Ended September 30, 2021</u>	<u>Gain (Loss) Recognized in AOCI, net of tax Nine Months Ended September 30, 2020</u>	<u>Gain/ (Loss) Reclassified from AOCI into Income Nine Months Ended September 30, 2021</u>	<u>Gain/ (Loss) Reclassified from AOCI into Income Nine Months Ended September 30, 2020</u>
Cash flow hedges:				
Foreign exchange contracts	\$ -	\$ (434)	\$ -	\$ (143)

**Non-designated hedges**

We have also entered into foreign currency range forward contracts and interest swap contracts 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 the fair value of these derivatives are recognized as incurred in exchange gain (loss), net in the consolidated statement of income (loss). The following table presents these amounts for the three and nine months ended September 30, 2021 and 2020:

	<u>For the Three Months Ended September 30, 2021</u>	<u>For the Three Months Ended September 30, 2020</u>	<u>For the Nine months ended September 30, 2021</u>	<u>For the Nine Months Ended September 30, 2020</u>
<b>Derivatives not designated under ASC 815</b>				
Foreign currency forward contracts	\$ -	\$ (578)	\$ -	\$ (110)
Interest rate swap	\$ -	\$ (2)	\$ -	\$ (424)

The Company had terminated all derivative (non-designated hedge) contracts in November 2020 and realized and accounted for gain and loss on settlement of contracts in the consolidated statement of income (loss).



## 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 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 use significant assumptions. These unobservable inputs reflect our own estimates of assumptions that market participants would use in pricing the asset or liability:

### *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.

As of September 30, 2021, the Company has settled all derivative contracts, hence there are no derivative assets and liabilities.

## 9. DEBT

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

	September 30, 2021	December 31, 2020
<b>Short term debt</b>		
Working capital facilities	3,929	15,505
<b>Current portion of long term debt</b>		
Current maturity of long term loan	-	-
Current maturity of equipment loan	1,698	1,664
Current maturity of finance lease obligations	519	516
<b>Total</b>	<b>\$ 6,146</b>	<b>17,685</b>
<b>Long term debt</b>		
Term loan, net of debt issuance costs	162,515	\$ 114,930
Equipment loan	1,685	2,955
Finance lease obligations	40	430
<b>Total</b>	<b>\$ 164,240</b>	<b>\$ 118,315</b>

### 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 \$3.9 million as of September 30, 2021.

### Term loan

On February 18, 2021, the Company completed a debt refinancing with a newly secured \$185 million senior debt facility, comprising a \$165 million term loan and a \$20 million revolving credit facility. Under the new senior debt, borrowings will bear a tiered interest rate based on the Company's consolidated net leverage ratio and is initially set at LIBOR plus 450 basis points.

The term loan facility amortizes 2.5% on the date that is 21, and 24 months from closing, 3.75% on the date that is 27, 30, 33, and 36 months from closing, 5.0% on the date that is 39, 42, 45, 48 and 51 months from closing, 10% on the date that is 54 months from closing and 15% on the date that is 57 months from closing and balance will be paid on the closure of term loan.

On February 22, 2021, the Company used proceeds from the above facilities agreement to prepay and terminate the existing credit facility made available to it under that certain Amended and Restated Senior Term and Revolving Facilities Agreement, dated October 27, 2017.

Principal payments due on the term loan are as follows:

Years	Amount
Remainder of 2021	-
2022	4,125
2023	22,688
2024	30,937
2025	57,750
2026	49,500
<b>Total</b>	<b>\$ 165,000</b>

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.

The Company incurred debt issuance costs of \$11.3 million in connection with the new term loan. As per ASC 470, accounting guidance on term loan extinguishment, the Company has expensed off the debt issuance cost of \$8.5 million paid to the lenders towards the new term loan and \$2.5 million remaining unamortized debt issuance cost of the old term loan in interest expense, net in the consolidated statement of income (loss).

In connection with the new term loan, the unamortized debt issuance costs as of September 30, 2021 amount to \$2.5 million which have net off against long-term debt on the consolidated balance sheet.

Following table presents the changes in debt issuance cost during the nine months ended September 30, 2021 and the year ended December 31, 2021:

	September 30, 2021	December 31, 2020
Opening balance	2,670	4,125
Add: Debt issuance cost (refinancing of term loan)	11,269	-
Less: Expensed out (ASC 470 - extinguishment or modification)	(10,937)	-
Less: Amortisation of debt issuance cost	(517)	(1,455)
Closing balance	<b>\$ 2,485</b>	<b>\$ 2,670</b>



***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 Company receives the cash proceeds. We do not service any factored accounts after the factoring has occurred. We utilize factoring arrangements as part of our management of working capital. The balance of funds received from factored receivables under these agreements was \$20.2 million as of September 30, 2021.

***BMO Equipment Loan***

On December 27, 2018, the Company executed an agreement to secure a loan against US and Canadian assets for \$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. The amount outstanding as of September 30, 2021 is \$0.1 million.

***Equipment Loan***

On November 02, 2020, the Company executed Master Equipment Finance Agreement to finance the purchase of equipment for \$4 million at the interest of 5.27% per annum with a maturity date 34 months after the date of first utilization of equipment loan. The amount outstanding as of September 30, 2021 is \$3.3 million.

***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 was 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 was 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 was 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.

The fourth tranche of 213,162 Warrant Shares was vested on Dec 31, 2020. The amount of contra revenue attributed to these Warrant Shares is \$1,257 using initial grant-date fair value.

As per ASC 606, the Company has accrued \$161 and \$991 for three and nine months ended September 30, 2021, respectively using initial grant-date fair value.

The contra-revenue and equity are 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 ASC 606 and ASC 718 requirements.

The Warrant provides for net share settlement that will reduce the number of shares issued upon exercise to reflect the net settlement of the exercise price if elected by the holders. 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.

### *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 and nine months ended September 30, 2021 was \$341 and \$932, respectively, and is included in selling, general and administrative expenses. As of September 30, 2021, there was \$1,115 of total unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted average period of 1.66 years.

**11. ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss consists 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
<b>Balance at December 31, 2020</b>	<b>(4,529)</b>	<b>(8)</b>	<b>(2,749)</b>	<b>(7,286)</b>	<b>(3,071)</b>	<b>(10,357)</b>
Foreign currency translation	(2,147)	-	-	(2,147)	-	(2,147)
Reclassification to operations	-	8	-	8	-	8
Pension remeasurement	-	-	(647)	(647)	(443)	(1,090)
<b>Balance at September 30, 2021</b>	<b>\$ (6,676)</b>	<b>\$ -</b>	<b>\$ (3,396)</b>	<b>\$ (10,072)</b>	<b>\$ (3,514)</b>	<b>\$ (13,586)</b>

## 12. SEGMENT REPORTING

The Company provides business process outsourcing services (“BPO”) to clients in various 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 Global Chief Executive Officer (CEO) and President, who has been identified as the Chief Operating Decision Maker (“CODM”), reviews financial information mainly on a geographical basis.

Our operating business model is focused on the 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.

We report our results of operations in six reportable segments, as follows:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenue:</b>				
Americas	54,743	64,597	203,348	191,244
India & Sri Lanka	29,471	19,821	75,032	60,771
Malaysia	12,721	13,933	41,502	37,835
Middle East	54,829	43,665	143,783	114,425
Argentina & Peru	9,758	9,312	27,060	28,517
Rest of World	11,265	11,359	34,163	32,961
<b>Total</b>	<b>\$ 172,787</b>	<b>\$ 162,687</b>	<b>\$ 524,888</b>	<b>\$ 465,753</b>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating income (loss):</b>				
Americas	(5,070)	4,052	2,194	4,723
India & Sri Lanka	3,621	(1,633)	4,987	(2,538)
Malaysia	3,873	3,580	11,701	8,520
Middle East	7,086	3,156	15,836	5,371
Argentina & Peru	557	854	121	494
Rest of World	874	609	2,138	1,335
<b>Segment operating income</b>	<b>10,941</b>	<b>10,618</b>	<b>36,977</b>	<b>17,905</b>
<b>Startek consolidation adjustments</b>				
Goodwill impairment	-	-	-	(22,708)
Intangible amortization	(2,602)	(2,603)	(7,745)	(7,766)
<b>Total operating income</b>	<b>\$ 8,339</b>	<b>\$ 8,015</b>	<b>\$ 29,232</b>	<b>\$ (12,569)</b>

A single client accounted for 19% and 21% of the consolidated total net revenue during the three months ended September 30, 2021 and 2020, respectively, and 18% and 19% during the nine months ended September 30, 2021 and 2020, respectively.

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

	As on September 30, 2021	As on December 31, 2020
<b>Property, plant and equipment, net:</b>		
Americas	11,999	14,455
India & Sri Lanka	9,101	8,069
Malaysia	3,106	3,749
Middle East	7,025	4,736
Argentina & Peru	1,604	1,257
Rest of World	2,393	1,959
<b>Total</b>	<b>\$ 35,228</b>	<b>\$ 34,225</b>

### 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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
<b>Operating lease cost</b>	\$ 6,022	\$ 6,920	\$ 19,310	\$ 21,290
<b>Finance lease cost:</b>				
Amortization of right-of-use assets	207	166	546	834
Interest on lease liabilities	13	18	45	92
<b>Total finance lease cost</b>	<b>\$ 220</b>	<b>\$ 184</b>	<b>\$ 591</b>	<b>\$ 926</b>

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	19,085	21,040
Operating cash flow from finance leases	45	92
Financing cash flows from finance leases	387	926
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	4,990	17,393
Finance leases	-	-

Supplemental balance sheet information related to leases was as follows:

	As of September 30, 2021	As of December 31, 2020
<b>Operating leases</b>		
<b>Operating lease right-of-use assets</b>	<b>\$ 56,775</b>	<b>\$ 69,376</b>
Operating lease liabilities - Current	17,825	19,327
Operating lease liabilities - Non-current	41,176	52,052
<b>Total operating lease liabilities</b>	<b>\$ 59,001</b>	<b>\$ 71,379</b>
<b>Finance Leases</b>		
Property and equipment, at cost	4,130	4,351
Accumulated depreciation	(3,485)	(3,010)
<b>Property and equipment, at net</b>	<b>\$ 645</b>	<b>\$ 1,341</b>
Finance lease liabilities - Current	519	516
Finance lease liabilities - Non-current	40	430
<b>Total finance lease liabilities</b>	<b>\$ 559</b>	<b>\$ 946</b>
<b>Weighted average remaining lease term</b>	<b>As of September 30, 2021</b>	<b>As of December 31, 2020</b>
Operating leases (in years)	3.68	4.18
Finance leases (in years)	0.17	0.92
<b>Weighted average discount rate</b>		
Operating leases	7.0%	6.9%
Finance leases	6.0%	6.0%

Maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
Year ending December 31,		
Remainder of 2021	5,619	145
2022	17,777	441
2023	14,616	-
2024	12,433	-
2025	6,129	-
Thereafter	3,378	-
<b>Total lease payments</b>	<b>59,952</b>	<b>586</b>



Less imputed interest

(951)

(27)

**Total**

\$ 59,001

\$ 559

#### 14. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

Following are the entity wise details of equity-accounted investees:

Name of entity	% of ownership interest		Carrying amount	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
a) CSS Corp LP	61.35%	0%	25,006	-
b) Immaterial associates			-	111
<b>Carrying amount of investment in equity-accounted investees</b>			<b>25,006</b>	<b>111</b>
	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<b>Aggregate amounts of the group's share of loss of equity-accounted investees</b>	(46)	(5)	(1)	(25)

##### a) CSS Corp LP

On February 25, 2021, the Company announced a \$25 million strategic minority investment in CSS Corp. ("CSS"), a new-age IT services and technology support solutions company that harnesses the power of AI, automation, analytics, cloud, and digital to address customer needs. Through this investment, Startek acquired an indirect beneficial interest in CSS of approximately 26%, with Capital Square Partners ("CSP" or "CSP Fund"), a Singapore-based Private Equity Fund Manager, and the Company's majority shareholder, acquiring the majority controlling stake.

The Company and CSP Alpha Holdings Pte. Ltd., a subsidiary of the Company, participated in this transaction by (i) contributing \$25 million to acquire approximately 62.5%\* in CSS Corp LP, and (ii) paying \$5 million to CSP Management Limited to acquire certain call options. These call options to acquire a controlling stake in CSS are only exercisable by the Company during the period from August 19, 2022, to April 19, 2023, without any obligation and are currently considered to be not substantive.

\*Subsequently reduced to 61.35%

The Company has assessed CSS Corp LP to be a variable interest entity ('VIE') and per ASC 810-10-25-44 concluded that it is not the primary beneficiary. Amongst other factors, the Company's basis of this conclusion is that it lacks the power to direct or control any significant activities of the VIE and that the design and structure of the VIE were not specifically for the benefit of the Company. Further, CSS Corp LP's objectives as an investment company is an extension of the investment activities of CSP Fund. The Company has accordingly, accounted for this transaction under the equity-accounted investee method of accounting in accordance with ASC 323-30-S99-1. The Company's share of profit/loss of equity-accounted investee is accounted under the "equity method" as per which the share of profit/(loss) of equity-accounted investee has been added to the cost.

	September 30, 2021	December 31, 2020
<b>Summarised financial position</b>		
Current assets	55	-
Non-current assets	40,772	-
Current and non-current liabilities	(68)	-
<b>Net assets</b>	<b>40,759</b>	<b>-</b>
	September 30, 2021	December 31, 2020
<b>Reconciliation to carrying amounts</b>		
Opening net assets	-	-
Acquired during the year	40,750	-
Share of profit of equity-accounted investees	9	-
Other comprehensive income	-	-
	<b>40,759</b>	<b>-</b>
Company share in %	61.35%	0%
Company share	25,006	-
Carrying amount of investment in equity-accounted investee	<b>25,006</b>	<b>-</b>

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<b>Summarized statement of comprehensive income</b>				
Revenue	-	-	-	-
Other income	(67)	-	72	-
Expenses	(9)	-	(63)	-
Profit for the period	(76)	-	9	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(76)	-	9	-
Aggregate amounts of the Company share of profit/ (loss) of equity-accounted investee	(46)	-	6	-

##### b) Individually immaterial associates

The Company has individually immaterial investments in equity-accounted investee in Australia. It has 33.33% interest in Queensland Partnership Group Pty. Ltd and 16.67% interest in Services Queensland Partnership in Australia. The Company's share of profit/loss of equity-accounted investee, is accounted under the "equity method" as per which the share of profit of equity-accounted investee has been added to the cost.

	<b>September 30, 2021</b>	<b>December 31, 2020</b>		
<b>Carrying amount of individually immaterial investment in equity-accounted investee</b>	-	111		
	<b>Three months ended September 30, 2021</b>	<b>Three months ended September 30, 2020</b>	<b>Nine months ended September 30, 2021</b>	<b>Nine months ended September 30, 2020</b>
<b>Aggregate amounts of share of:</b>				
Loss of equity-accounted investee	-	(5)	(7)	(25)
Other comprehensive income	-	-	-	-
	-	(5)	(7)	(25)

**15. COMMON STOCK****Share Repurchase Plan**

In the year 2004, the Company had announced the “Repurchase plan” that authorized the Company to repurchase up-to USD 25 million of common stock. The program will remain in effect until the same is terminated by the Board of Directors and will allow the Company to repurchase common stock from time to time on the open market either via block trades or privately negotiated transactions or by other means in accordance with federal securities laws, including Rule 10b5-1 programs or other means at times and in such amounts as Chief Financial Officer (CFO) deems appropriate and will be funded from our working capital or other financing alternatives. Repurchases will be implemented by the CFO consistent with the guidelines adopted by the Board of Directors and will depend on market conditions and other factors. Pursuant to the Board of Directors meeting held on August 26, 2021, the Board restricted the CFO from exceeding \$2 million of repurchases with any purchases more than \$2 million requiring Board review.

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. Our stock repurchase plan may be suspended or discontinued at any time. The actual timing, number and value of shares repurchased depends on a number of factors, including the market price of our common stock, general market and economic conditions, the shares withheld for taxes associated with the vesting of restricted stock, other corporate considerations and CFO’s determination as to the appropriate use of our cash.

During the three months ended September 30, 2021, we repurchased an aggregate of 57,759 shares of our common stock under our repurchase plan at an average cost of \$5.67 per share.

Stock repurchase activity during the three months ended September 30, 2021 was as follows:

<b>Period Ended</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share (1)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs</b>	<b>Maximum Dollar Value that May Yet be Purchased Under the Programs</b>
August 31, 2021	15,943	\$ 6.06	15,943	\$ 24,903,328
September 30, 2021	41,816	\$ 5.49	41,816	\$ 24,672,449
	<b>57,759</b>		<b>57,759</b>	

1. Excludes broker commission.

**16. SUBSEQUENT EVENTS.**

None.

## 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 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, 2020 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, 2020. All dollar amounts are presented in thousands other than per share data.

### BUSINESS DESCRIPTION AND OVERVIEW

Startek is a leading global provider of technology-enabled business process management solutions. The Company provides Omni-channel customer experience, digital transformation, and technology services to some of the finest brands globally. Startek is committed to impacting clients’ business outcomes by focusing on enhancing customer experience and digital enablement across all touchpoints and channels. Startek has more than 46,000 CX experts globally spread across 46 delivery campuses in 13 countries. The Company services over 200 clients across various industries such as Banking and Financial Services, Insurance, Technology, Telecom, Healthcare, Travel and Hospitality, Consumer Goods, Retail, and Energy and Utilities.

### SIGNIFICANT DEVELOPMENTS

#### Cyber Security Incident

On June 30, 2021, we suffered an attempted encryption attack. While the attackers or the threat actors failed to shut down company operations, they however encrypted some of our operating systems and application servers. We took immediate steps to remedy the situation and based on the numerous steps undertaken, we believe that the incident is contained, and we have eradicated any remnants of the attack. This incident resulted in temporary disruption to our business that was caused by the threat actors encrypting some of our systems and our precautionary actions to move certain of our systems offline. The impact of this incident on our clients was varied and was dependent on the region of our service delivery. Many of our clients faced no disruptions as the network and systems in those regions weren’t compromised, however, in some regions our customers faced disruptions especially where we support work from home operations. In addition, with-in the impacted clients, many of them maintained connectivity with our network, allowing us to continue to provide service, however, some clients chose to temporarily suspend our access to their networks as a measure of abundant caution.

Since the Incident, we have (a) restored the security of our systems and networks, (b) significantly enhanced the continuous monitoring of our entire information security environment, (c) implementation various enhancements to our network and processes to prevent the recurrence of such incidents, (d) notified the incident to the various law enforcement agencies and are closely coordinating with them, and, (e) have implemented measures recommended by leading external forensics and cybersecurity experts to thwart such incidents in the future.

The incident had some impact on our revenues and operating income during the current quarter though the impact was not significant. A large part of the costs directly related to the incident have been recovered from our insurance policies. We have taken certain steps to remedy the situation and plan to make incremental investments to enhance the overall security of our information technology environment.

#### Coronavirus

The global outbreak of the novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020. The pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets, and resulted in significant travel restrictions, mandated facility closures and shelter-in-place, and social distancing orders in numerous jurisdictions around the world. 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 our employees’ safety and well-being, 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 helping our clients 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 have taken additional measures to ensure the safety of our employees in India who are facing a strong second wave of the Pandemic. We continue to work 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, we continue to maintain many of our employees on a work-at-home model. The impact of COVID-19 in the nine months of fiscal 2021 was not significant on the Company. The extent of the ultimate impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our operations within the expected parameters, will depend on future developments, including the duration and spread of the pandemic and related actions taken by the various governments to prevent disease spread, all of which remain uncertain and cannot be predicted.

#### Share Repurchase

During the quarter the Company undertook share repurchases under a previously announced and approved Repurchase Plan. During the quarter the Company repurchased an aggregate of 57,759 shares of our common stock under our repurchase plan at an average cost of \$5.67 per share. The Company believes its liquidity position is strong and shall continue with share repurchases in the near future.

## RESULTS OF OPERATIONS — THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

### Revenue

Our gross revenues for the three months ended September 30, 2021 increased by 6.0% to \$172,948 as compared to \$163,097 for the three months ended September 30, 2020.

Our net revenue for the three months ended September 30, 2021 and 2020:

**For the Three**

**For the Three**

	<b>Months Ended</b>	<b>Months Ended</b>
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Revenues	172,948	163,097
Warrant contra revenue	(161)	(410)
Net revenue	<b>\$ 172,787</b>	<b>\$ 162,687</b>

Our net revenues adjusted for warrant contra revenue for the three months ended September 30, 2021 were higher at \$172,787 compared to \$162,687 for the three months ended September 30, 2020.

The breakdown of our net revenues from various industry verticals for three months ended September 30, 2021 and 2020 is as follows:

	<b>For the Three Months Ended September 30, 2021</b>	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Three Months Ended September 30, 2021</b>	<b>For the Three Months Ended September 30, 2020</b>
<b>Verticals:</b>				
Telecom	56,676	54,834	33%	34%
E-commerce & Consumer	22,434	23,320	13%	14%
Healthcare & Education	15,315	18,774	9%	12%
Media & Cable	22,863	25,536	13%	16%
Financial & Business Services	17,161	12,208	10%	7%
Travel & Hospitality	12,027	15,063	7%	9%
Technology, IT & Related Services	5,125	4,813	3%	3%
All other verticals	21,347	8,549	12%	5%

The increase in revenue in the current quarter was due to strong performance across certain verticals as well as geographies.

Strength in the Telecom sector continued as we witnessed growth across most telecom clients across our various geographies.

Financial & Business services sector continues to perform strongly as the Pandemic overhang eases and there is increased consumption of business services.

Our clients in the Consumer sector continue to see strong demand across geographies.

We saw sequential improvement in volume in the travel and hospitality sector as more geographies start easing restrictions and reopening travel in a calibrated manner.

Our clients in the media and cable sectors continue to post steady volumes while we selectively build traction with public sector enterprises across some of our geographies.



### Cost of Services and Gross Profit

Overall, the cost of services as a percentage of revenue increased to 87.5% for the three months ended September 30, 2021 compared to 86.3% for the three months ended September 30, 2020. Employee expenses, rent costs, and Depreciation and amortization are the most significant costs for the Company, representing 75.7%, 4.7%, and 4.2% of the total cost of services, respectively. The breakdown of the cost of services is listed in the table below

	Three Months Ended September 30,		As % of Revenue	
	2021	2020	2021	2020
Employee benefit expenses	114,468	104,881	66.2%	64.5%
Rent expense	7,074	7,548	4.1%	4.6%
Depreciation and amortization	6,394	6,135	3.7%	3.8%
Other	23,328	21,828	13.5%	13.4%
<b>Total</b>	<b>\$ 151,264</b>	<b>\$ 140,392</b>		

*Employee 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 66.2% for the current period as compared to 64.5% for the previous period. The year-on-year increase is driven by growth in certain clients across the telecom, financial and business services and public sector enterprises verticals that are delivered largely onshore.

*Rent expense:* Rent expense as a percentage of revenue decreased to 4.1% for the current period as compared to 4.6% for the previous period. The decrease is driven by better utilization of our existing capacity due to continued dominance of work at home business model.

*Depreciation and amortization:* Depreciation and amortization expense as a percentage of revenue for the current period was marginally lower at 3.7% as compared to 3.8% for the previous period.

Other expense includes recruitment, technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs increased marginally from 13.4% to 13.5% primarily due to higher communication expenses which was partially offset by travel and utility costs.

As a result, gross profit as a percentage of revenue for the current period decreased to 12.5% as compared to 13.7% for the previous period.

	Three Months Ended September 30,	
	2021	2020
Gross revenue	172,948	163,097
Warrant contra revenue	(161)	(410)
<b>Net revenue</b>	<b>172,787</b>	<b>162,687</b>
Cost of services	(151,264)	(140,392)
<b>Gross profit</b>	<b>\$ 21,523</b>	<b>\$ 22,295</b>
<b>Gross margin</b>	<b>12.5%</b>	<b>13.7%</b>

### Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 8.8% in the previous period to 7.6% in the current period. The year-on-year decrease in percentage is driven by revenue growth in the current period. Sequentially, SG&A expense has increased as the Company invested in strengthening its sales and marketing function.

### Impairment Losses and Restructuring/Exit Cost, Net

Impairment losses and restructuring costs, net totaled \$85 for the current period as compared to \$(12) for the previous period. There are no impairment charges during the current period.

### Interest expense, net

Interest expense, net totaled \$2,236 for the current period as compared to \$3,988 for the previous period. The expense for the three months ended September 30, 2021 comprises interest expense on our term debt and revolving line of credit facilities.

### Income tax expense

Income tax expense for the current period was \$2,402 compared to \$1,649 for the previous period. The movement in the effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate coupled with utilization of net operating losses for entities having taxable profit and valuation allowance as per the requirement of ASC 740. Additionally, the movement of funds between various geographies primarily to service our debt facilities also attracts withholding taxes.

**RESULTS OF OPERATIONS — NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020****Revenue**

Our gross revenues for the nine months ended September 30, 2021 increased by 12.6% to \$525,879 as compared to \$466,926 for the nine months ended September 30, 2020.

Our net revenue for the nine months ended September 30, 2021 and 2020:

	<b>For the Nine Months Ended September 30, 2021</b>	<b>For the Nine Months Ended September 30, 2020</b>
Revenues	525,879	466,926
Warrant contra revenue	(991)	(1,173)
Net revenue	<b>\$ 524,888</b>	<b>\$ 465,753</b>

Our net revenues adjusted for warrant contra revenue for the nine months ended September 30, 2021 was higher at \$524,888 compared to \$465,753 for the nine months ended September 30, 2020.

The breakdown of our net revenues from various industry verticals for nine months ended September 30, 2021 and September 30, 2020 is as follows:

	<b>For the Nine Months Ended September 30, 2021</b>	<b>For the Nine Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2021</b>	<b>For the Nine Months Ended September 30, 2020</b>
<b>Verticals:</b>				
Telecom	161,961	160,362	31%	34%
E-commerce & Consumer	74,757	71,884	14%	15%
Healthcare & Education	73,020	44,757	14%	10%
Media & Cable	72,435	70,801	14%	15%
Financial & Business Services	48,374	36,034	9%	8%
Travel & Hospitality	33,066	45,028	6%	10%
Technology, IT & Related Services	15,064	14,310	3%	3%
All other verticals	47,202	23,750	9%	5%

The increase in revenue in the current period was due to strong performance across verticals as well as geographies. Significant part of the year-on-year increase in revenue in the current period was attributed to a government vaccine program that we delivered in the second quarter of the current period. Additionally, part of the year-on-year growth in revenue during the current period was due to the severe impact of the Pandemic in the second quarter of the year-ago period.

The Company saw higher revenues across the clients in the telecom sector. Within the e-commerce and consumer sector, we continue to see robust growth with our commerce clients across geographies while the brick-and-mortar and auto clients saw signs of revival in revenues as the Pandemic fears subsided.

While the travel and hospitality sector continue to remain under pressure from COVID-led sluggishness, local transport and logistics providers continue to benefit from social distancing norms. We witnessed signs of improvement in the travel segment in the later part of the current period as major geographies begin easing travel restrictions.

In the healthcare and education sector, the Company generated significant revenue in the current period from a program related to COVID vaccine rollout in the US that was delivered in the second quarter.

Our clients in the financial and business services and media and cable sectors continue to post stable volumes depicting a return to normalcy from the Pandemic impact.

### Cost of services

Overall, the cost of services as a percentage of revenue decreased to 86.5% for the nine months ended September 30, 2021 as compared to 87.8% for the nine months ended September 30, 2020. Employee expenses, rent costs, and Depreciation and amortization are the most significant costs for the Company, representing 76.0%, 4.9%, and 4.1% of the total cost of services, respectively. The breakdown of the cost of services is listed in the table below:

	Nine Months Ended September 30,		As % of Revenue	
	2021	2020	2021	2020
Employee benefit expenses	345,349	309,849	65.8%	66.5%
Rent expense	22,031	23,146	4.2%	5.0%
Depreciation and amortization	18,709	18,670	3.6%	4.0%
Other	68,035	57,082	13.0%	12.3%
<b>Total</b>	<b>\$ 454,124</b>	<b>\$ 408,747</b>		

*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 decreased to 65.8% for the current period as compared to 66.5% for the previous period. The decrease is driven by continuous diversification in our vertical mix towards new-age verticals like financial and business services and e-commerce.

*Rent expense:* Rent expense as a percentage of revenue decreased to 4.2% for the current period as compared to 5.0% for the previous period. The year-on-year decrease in the percentage is driven by a higher revenue base in the current period relative to the year-ago period.

*Depreciation and amortization:* Depreciation and amortization expense as a percentage of revenue for the current period was marginally lower at 3.6% as compared to 4.0% for the previous period

Other expense includes recruitment, technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs marginally increased from 12.3% to 13.0% primarily due to higher recruitment and insurance costs in the current period partially offset by lower travel costs.

As a result, gross profit as a percentage of revenue for the current period increased to 13.5% as compared to 12.2% for the previous period.

	Nine Months Ended September 30,	
	2021	2020
Gross revenue	525,879	466,926
Warrant contra revenue	(991)	(1,173)
<b>Net revenue</b>	<b>524,888</b>	<b>465,753</b>
Cost of services	(454,124)	(408,747)
<b>Gross profit</b>	<b>\$ 70,764</b>	<b>\$ 57,006</b>
<b>Gross margin</b>	<b>13.5%</b>	<b>12.2%</b>

### Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 9.7% in the previous period to 7.5% in the current period. The reduction is a result of operational efficiencies due to a higher revenue base in the current period.

### Impairment Losses and Restructuring/Exit Cost, Net

Impairment losses and restructuring costs, net totaled \$1,964 for the current period as compared to \$24,545 for the previous period. The expense for the nine months ended September 30, 2021 primarily relates to employee-related restructuring expenses. There are no impairment charges during the current period.

### Interest expense, net

Interest expense, net totaled \$18,489 for the current period as compared to \$10,683 for the previous period. The expense for the nine months ended September 30, 2021 comprises upfront fees and interest expense on our term debt and revolving line of credit facilities.

### Income tax expense

Income tax expense for the current period was \$9,397 compared to \$5,808 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 coupled with utilization of net operating losses for entities having taxable profit and valuation allowance as per the requirement of ASC 740. Additionally, the movement of funds between various geographies primarily to service our debt facilities also attracts withholding taxes.

## RELATED PARTY DISCLOSURE

In 2018, a transaction bonus was payable to Mr. Aparup Sengupta (Chairman & Global CEO) for the successful completion of the Startek-Aegis merger. This was accrued in the financial statements for the year ended December 31, 2018 as "Acquisition-related cost". An amount of \$500 has been paid during the year ended December 31, 2020 to Mr. Aparup Sengupta and a balance of \$350 has been paid during the first quarter of the current fiscal year.

## 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. We have also entered into factoring agreements with financial institutions to sell certain of our accounts receivables under non-recourse agreement. The Company expects to meet all its debt obligations in a timely manner.

During the first quarter of the current fiscal year, the Company entered into a newly secured \$185 million senior debt facility, comprising a \$165 million term loan and a \$20 million revolving credit facility. Under the new senior debt, Borrowings will bear a tiered interest rate, which is based on the Company's consolidated net leverage ratio and is initially set at LIBOR plus 450 basis points. The term loan will have a moratorium on principal repayment for 21 months and will amortize quarterly thereafter, beginning November 2022. The loan is subject to certain standardized financial covenants. The Company fully repaid the amounts due under the old senior facilities from the proceeds of the new debt facility.

### *Cash and cash equivalents and restricted cash*

As of September 30, 2021, cash, cash equivalents, and restricted cash held by the Company and all its foreign subsidiaries increased by \$12,915 to \$63,474 compared to \$50,559 as of December 31, 2020. The restricted cash balance as of September 30, 2021 stood at \$6,634 as compared to \$6,052 as of December 31, 2020. The restricted cash pertains to the debt service reserve account (DSRA) that we have to maintain according to the Senior Term Agreement and for certain term deposits that need to be maintained in accordance with some of our lease and client agreements.

### *Cash flows from operating activities*

For the nine months ended September 30, 2021 and 2020 we reported net cash flows generated from operating activities of \$22,557 and \$65,445, respectively. The \$(42,888) decrease in net cash flows from operating activities was due to a net decrease of \$(50,936) in cash flows from operating assets and liabilities, a \$(22,756) decrease in non-cash reconciling items such as goodwill impairment, deferred tax expense, depreciation and amortization, and warrant contra revenue, and an increase of \$30,804 in net income. During the current period, the cash flows from operating assets and liabilities were impacted by increased receivables due to temporary growth in revenues. The amounts were subsequently collected. The cash flows for the nine months ended September 30, 2020 was higher due to the sale of receivables under the non-recourse factoring arrangements in April 2020.

### *Cash flows used in investing activities*

For the nine months ended September 30, 2021, and 2020 we reported net cash used in investing activities of \$41,256 and \$9,712 respectively. Net cash used in investing activities for current periods primarily consisted of strategic investment in equity-accounted investees and capital expenditure.

### *Cash flows generated from financing activities*

For the nine months ended September 30, 2021 and 2020 we reported net cash flows generated from and used in financing activities of \$32,566 and \$(31,518), respectively. During the nine months ended September 30, 2021 our net borrowings increased by \$31,461 mainly due to refinancing of senior term debt completed during the period. The Company collected \$1,434 from the vesting of warrants under the ESOP program of the Company. During the three months ended September 2021, the Company repurchased an aggregate of 57,759 shares amounting to \$329.

### *Debt*

For more information, refer to Note 9, "Debt," to our 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 "Debt" 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.

## **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 and or temporary 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. These judgments are subject to an inherent degree of uncertainty by their nature. Accordingly, actual results may vary significantly from the estimates we have applied.

Please refer to Note 2, "Summary of Significant Accounting Policies" of the Notes to the consolidated financial statements included in Item 1 for a complete description of our critical accounting policies and estimates.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures:**

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2021 was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were ineffective as of September 30, 2021.

### **Management's Report on Internal Control over Financial Reporting:**

At December 31, 2020, management identified a material weakness in the operation of the Company's internal controls over revenue recognition. In view of the existence of the material weakness and based on the assessment at the quarter-end, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were ineffective. Notwithstanding the material weakness in internal control over financial reporting relating to revenue process disclosed below, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that the consolidated financial statements presents fairly in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

A material weakness was identified in the operation of the Company's internal financial controls over revenue recognition (and corresponding "unbilled revenue" asset) in certain reporting units. It was observed that for few customers the amount of revenue accrued in the books of accounts was on the lower side than what was billed to those customers. Management carried out measurement adjustments in respect of discounts, penalties, etc to revenue recognised in the books of account as the COVID 19 situation gave rise to uncertainties. However, these judgements were not adequately documented.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness described above did not result in any material misstatements to the company's previously issued consolidated financial statements, nor in the consolidated financial statements disclosed in this Form 10-Q.

### **Remediation Plan:**

The Company's management is committed to maintaining a strong internal control environment. In response to the identified material weakness, the management immediately performed a detailed root-cause analysis of the highlighted issues and implemented certain corrective actions. The management has redefined the revenue recognition process combining automation and manual controls wherever appropriate. Documentation underlying key judgments is enhanced and "review" controls are further strengthened to reflect appropriate accounting treatment. While the management has completed the implementation of the corrective actions, it will also monitor the effectiveness of the controls through continuous monitoring

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

Subject to the above, there were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control 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, 2020, except for the following:

#### *Cyber Security Threat*

In order to provide our services and solutions, we depend on global information technology networks and systems, including those of third parties, to process, transmit, host, and securely store electronic information (including our confidential information and the confidential information of our clients) and to communicate among our locations around the world and with our clients, suppliers and partners. Security breaches, employee malfeasance, or human or technological error create risks of shutdowns or disruptions of our operations and potential unauthorized access and/or disclosure of our or our clients' sensitive data, which in turn could jeopardize our client deliveries that are critical to our operations or the operations of our clients' businesses and have other adverse impacts on our business.

A security compromise of our information systems, such as the security incident that occurred in June 2021, or of those of businesses with whom we interact, that results in confidential information being accessed by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions, client attrition due to reputational concerns or otherwise, containment and remediation expenses, and claims brought by our clients or others for breaching contractual confidentiality and security provisions or data protection laws. Monetary damages imposed on us could be significant and may impose costs in excess of insurance policy limits or not covered by our insurance at all. Techniques used by bad actors to obtain unauthorized access, disable or degrade service, or sabotage systems evolve frequently and may not immediately produce signs of intrusion, and we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, a security breach could require that we expend substantial additional resources related to the security of our information systems, diverting resources from other projects and disrupting our businesses. Any remediation measures that we have taken or that we may undertake in the future in response to the security incident that occurred in June 2021 or other security incidents may be insufficient to prevent future cyber incidents.

We are required to comply with increasingly complex and changing data security and privacy regulations in the United States, Australia, India, Japan, Korea, and in other jurisdictions in which we operate, that regulate the collection, use and transfer of personal data, including the transfer of personal data between or among countries. In the United States, there have been proposals for federal privacy legislation and many new state privacy laws are on the horizon. Recently enacted legislation, such as the California Consumer Privacy Act, impose extensive privacy requirements on organizations governing personal information. Existing US laws related to particular types of data, such as the Health Insurance Portability and Accountability Act, also impose extensive privacy and security requirements on organizations operating in the healthcare industry, which Startek serves. Additionally, in India, the Personal Data Protection Bill, 2018 was recently cleared for introduction in the current session of the Indian Parliament. If enacted in its current form it would impose stringent obligations on the handling of personal data, including certain localization requirements for sensitive data. Other countries have enacted or are considering enacting data localization laws that require certain data to stay within their borders.

We may also face audits or investigations by one or more domestic or foreign government agencies or our clients pursuant to our contractual obligations relating to our compliance with these regulations. Complying with changing regulatory requirements requires us to incur substantial costs, exposes us to potential regulatory action or litigation, and may require changes to our business practices in certain jurisdictions, any of which could materially or adversely affect our business operations and operating results.

#### *The recent Coronavirus or COVID-19 outbreak continues to expand and may adversely affect our financial condition and results of operations for 2021.*

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 and 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

In the year 2004, the Company had announced the "Repurchase plan" that authorized the Company to repurchase up-to USD 25 million of common stock. The program will remain in effect until the same is terminated by the Board of Directors and will allow the Company to repurchase common stock from time to time on the open market either via block trades or privately negotiated transactions or by other means in accordance with federal securities laws, including Rule 10b5-1 programs or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Repurchases will be implemented by the Chief Financial Officer (CFO) consistent with the guidelines adopted by the Board of Directors and will depend on market conditions and other factors. Pursuant to the Board of Directors meeting held on August 26, 2021, the Board restricted the CFO from exceeding \$2 million of repurchases with any purchases more than \$2 million requiring Board review.

During the three months ended September 30, 2021, we repurchased an aggregate of 57,759 shares of our common stock under our repurchase plan at an average cost of \$5.67 per share.

Stock repurchase activity during the three months ended September 30, 2021 was as follows:

<b>Period Ended</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share (1)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs</b>	<b>Maximum Dollar Value that May Yet be Purchased Under the Programs</b>
August 31, 2021	15,943	\$ 6.06	15,943	\$ 24,903,328
September 30, 2021	41,816	\$ 5.49	41,816	\$ 24,672,449
	<b>57,759</b>		<b>57,759</b>	

1. Excludes broker commission.

### **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
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			
32.1*	<a href="#">Written Statement of the Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>			
101*	The following materials are formatted in Extensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2021 and 2020(Unaudited), (ii) Consolidated Balance Sheets as of September 30, 2021 (Unaudited) and December 31, 2020, (iii) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020 (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.

**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: November 2, 2021  
Aparup Sengupta  
Global CEO  
(principal executive officer)

By: /s/ Vikash Sureka Date: November 2, 2021  
Vikash Sureka  
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: November 2, 2021

/s/ Aparup Sengupta  
Aparup Sengupta  
Global CEO

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Vikash Sureka, 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: November 2, 2021

/s/ Vikash Sureka  
Vikash Sureka  
Chief Financial Officer

CERTIFICATIONS

In connection with the Quarterly Report of StarTek, Inc. on Form 10-Q for the quarterly period ended September 30, 2021 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: November 2, 2021

/s/ Aparup Sengupta  
Aparup Sengupta  
Chief Executive Officer

Date: November 2, 2021

/s/ Vikash Sureka  
Vikash Sureka  
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.