

**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, 2020**

or

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-12793**

**StarTek, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**84-1370538**

(I.R.S. employer  
Identification No.)

**6200 South Syracuse Way, Suite 485**

**Greenwood Village, Colorado**

(Address of principal executive offices)

**80111**

(Zip code)

**(303) 262-4500**

(Registrant's telephone number, including area code)

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

| Title of each class                   | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------------|-------------------|---|
| <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, 2020, there were 40,292,755 shares of Common Stock outstanding.

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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, 2019 filed with the Securities and Exchange Commission ("SEC") on March 12, 2020 and this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. Unless otherwise noted in this report, any description of "us," "we," or "our," refers to StarTek, Inc. ("Startek") and its subsidiaries.

**CHANGE IN FILING STATUS**

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

**PART I - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**STARTEK, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)**

(In thousands, except per share amounts)

(Unaudited)

|   | Three Months Ended September 30, |                | Nine Months Ended September 30, |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | 2020                             | 2019           | 2020                            | 2019           |
| Revenue   | 163,097                          | 164,630        | 466,926                         | 487,054        |
| Warrant contra revenue                                      | (410)                            | -              | (1,173)                         | (730)          |
| <b>Net Revenue</b>  | <b>162,687</b>                   | <b>164,630</b> | <b>465,753</b>                  | <b>486,324</b> |
| Cost of services  | (139,808)                        | (136,142)      | (407,003)                       | (403,064)      |
| <b>Gross profit</b>   | <b>22,879</b>                    | <b>28,488</b>  | <b>58,750</b>                   | <b>83,260</b>  |
| Selling, general and administrative expenses                | (14,876)                         | (22,926)       | (46,774)                        | (71,938)       |
| Impairment losses and restructuring/exit cost               | 12                               | (220)          | (24,545)                        | (2,069)        |
| Acquisition related cost                                    | -                                | -              | -                               | 11             |
| <b>Operating Income/ (Loss)</b>                             | <b>8,015</b>                     | <b>5,342</b>   | <b>(12,569)</b>                 | <b>9,264</b>   |
| Share of (loss) / profit of equity accounted investees      | (5)                              | (16)           | (25)                            | 988            |
| Interest expense, net                                       | (3,988)                          | (3,372)        | (10,684)                        | (11,864)       |
| Exchange loss, net  | (621)                            | (1,880)        | (331)                           | (2,558)        |
| <b>Income/(Loss) before income taxes</b>                    | <b>3,401</b>                     | <b>74</b>      | <b>(23,609)</b>                 | <b>(4,170)</b> |
| Income tax expense  | 1,649                            | 3,436          | 5,808                           | 4,550          |
| <b>Net Income / (Loss)</b>                                  | <b>1,752</b>                     | <b>(3,362)</b> | <b>(29,417)</b>                 | <b>(8,720)</b> |
| <b>Net income/ (Loss)</b>                                   |                                  |                |                                 |                |
| Net income/(loss) attributable to non-controlling interests | 1,385                            | (575)          | 1,990                           | 1,007          |
| Net income/ (loss) attributable to Startek shareholders     | 367                              | (2,787)        | (31,407)                        | (9,727)        |
| Net gain/(loss) per common share - basic                    | 0.01                             | (0.07)         | (0.80)                          | (0.26)         |
| Net gain/(loss) per common share - diluted                  | 0.01                             | (0.07)         | (0.80)                          | (0.26)         |
| Weighted average common shares outstanding - basic          | 40,275                           | 38,467         | 39,143                          | 38,011         |
| Weighted average common shares outstanding - diluted        | 40,626                           | 38,467         | 39,143                          | 38,011         |

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

(In thousands, except per share amounts)

(Unaudited)

|  | Three Months Ended September 30, |                | Nine Months Ended September 30, |                 |
|--|----------------------------------|----------------|---------------------------------|-----------------|
|  | 2020                             | 2019           | 2020                            | 2019            |
| <b>Net Income / (Loss)</b>   | <b>1,752</b>                     | <b>(3,362)</b> | <b>(29,417)</b>                 | <b>(8,720)</b>  |
| Net income/ (Loss) attributable to non-controlling interests                 | 1,385                            | (575)          | 1,990                           | 1,007           |
| Net Income/ (Loss) attributable to Startek shareholders                      | 367                              | (2,787)        | (31,407)                        | (9,727)         |
| <b>Other comprehensive (loss) / income, net of taxes:</b>                    |                                  |                |                                 |                 |
| Foreign currency translation adjustments                                     | 936                              | (1,899)        | (2,729)                         | (1,299)         |
| Change in fair value of derivative instruments                               | 103                              | (298)          | (577)                           | 50              |
| Pension amortization   | 774                              | (9)            | (1,856)                         | (70)            |
| <b>Comprehensive (loss) / income</b>   | <b>1,813</b>                     | <b>(2,206)</b> | <b>(5,162)</b>                  | <b>(1,319)</b>  |
| <b>Other comprehensive (loss) / income, net of taxes</b>                     |                                  |                |                                 |                 |
| Other comprehensive (loss) / income attributable to non-controlling interest | 413                              | (19)           | (1,211)                         | (45)            |
| Other comprehensive (loss) / income attributable to Startek shareholders     | 1,400                            | (2,187)        | (3,951)                         | (1,274)         |
| <b>Comprehensive (loss) / income</b>   | <b>1,813</b>                     | <b>(2,206)</b> | <b>(5,162)</b>                  | <b>(1,319)</b>  |
| <b>Comprehensive (loss) / income</b>   |                                  |                |                                 |                 |
| Comprehensive (loss)/income attributable to non-controlling interests        | 1,798                            | (594)          | 779                             | 962             |
| Comprehensive (loss)/ income attributable to Startek shareholders            | 1,767                            | (4,974)        | (35,358)                        | (11,001)        |
| <b>Comprehensive (loss) / income</b>   | <b>3,565</b>                     | <b>(5,568)</b> | <b>(34,579)</b>                 | <b>(10,039)</b> |

See Notes to Consolidated Financial Statements.

**CONDENSED CONSOLIDATED BALANCE SHEET**  
(In thousands, except share data)  
(Unaudited)

|  | September 30,<br>2020 | December 31,<br>2019 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | 48,463                | 20,464               |
| Restricted cash  | 8,122                 | 12,162               |
| Trade accounts receivable, net   | 77,767                | 108,479              |
| Unbilled revenue   | 40,126                | 41,449               |
| Prepaid and other current assets   | 12,612                | 12,008               |
| <b>Total current assets</b>  | <b>187,090</b>        | <b>194,562</b>       |
| Property, plant and equipment, net   | 34,423                | 37,507               |
| Operating lease right-of-use assets  | 70,256                | 73,692               |
| Intangible assets, net   | 103,042               | 110,807              |
| Goodwill   | 196,633               | 219,341              |
| Investment in associates   | 109                   | 553                  |
| Deferred tax assets, net   | 2,782                 | 5,251                |
| Prepaid expenses and other non-current assets  | 13,140                | 16,370               |
| <b>Total assets</b>  | <b>607,475</b>        | <b>658,083</b>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                       |                      |
| Current liabilities:   |                       |                      |
| Trade accounts payables  | 14,591                | 25,449               |
| Accrued expenses   | 64,375                | 45,439               |
| Short term debt  | 15,206                | 26,491               |
| Current maturity of long term debt   | 19,142                | 18,233               |
| Current maturity of operating lease obligation   | 18,649                | 19,677               |
| Other current liabilities  | 39,854                | 37,159               |
| <b>Total current liabilities</b>   | <b>171,817</b>        | <b>172,448</b>       |
| Long term debt   | 101,626               | 130,144              |
| Operating lease liabilities  | 52,854                | 54,341               |
| Other non-current liabilities  | 17,378                | 11,140               |
| Deferred tax liabilities, net  | 16,596                | 18,226               |
| <b>Total liabilities</b>   | <b>360,271</b>        | <b>386,299</b>       |
| Commitments and contingencies  | —                     | —                    |
| <b>Stockholders' equity:</b>   |                       |                      |
| Common stock, 60,000,000 non-convertible shares, \$0.01 par value, authorized; 40,288,453 and 38,525,636 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively | 403                   | 385                  |
| Additional paid-in capital   | 287,221               | 276,827              |
| Accumulated deficit  | (77,965)              | (46,145)             |
| Accumulated other comprehensive loss   | (9,973)               | (6,022)              |
| <b>Equity attributable to Startek shareholders</b>   | <b>199,686</b>        | <b>225,045</b>       |
| Non-controlling interest   | 47,518                | 46,739               |
| <b>Total stockholders' equity</b>  | <b>247,204</b>        | <b>271,784</b>       |
| <b>Total liabilities and stockholders' equity</b>  | <b>607,475</b>        | <b>658,083</b>       |

*See Notes to Consolidated Financial Statements.*

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

|   | Nine Months Ended September 30, |            |
|---|---------------------------------|------------|
|   | 2020                            | 2019       |
| <b>Operating Activities</b>   |                                 |            |
| Net loss  | \$ (29,417)                     | \$ (8,720) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                                 |            |
| Depreciation and amortization   | 21,279                          | 22,056     |
| Impairment of goodwill  | 22,708                          | -          |
| Loss /(profit) on sale of property, plant and equipment                         | 181                             | (223)      |
| Provision for doubtful accounts   | 2,089                           | 1,238      |
| Warrant contra revenue  | 1,173                           | 730        |
| Share-based compensation expense  | 447                             | 1,151      |
| Deferred income taxes   | 1,192                           | 209        |
| Share of loss / (profit) of equity accounted investees                          | 25                              | (988)      |
| Changes in operating assets and liabilities:                                    |                                 |            |
| Trade accounts receivable, net  | 26,171                          | (1,529)    |

|  |                    |                   |
|--|--------------------|-------------------|
| Prepaid expenses and other assets, current and noncurrent                        | (117)              | (950)             |
| Trade accounts payable   | (10,155)           | (5,236)           |
| Income taxes, net  | 1,300              | (2,267)           |
| Accrued expenses and other liabilities, current and noncurrent                   | 27,421             | 1,150             |
| <b>Net cash generated from operating activities</b>                              | <b>\$ 64,297</b>   | <b>\$ 6,621</b>   |
| <b>Investing Activities</b>  |                    |                   |
| Purchases of property, plant and equipment                                       | (10,141)           | (9,027)           |
| Proceeds from equity-accounted investees   | 429                | 1,317             |
| <b>Net cash used in investing activities</b>                                     | <b>\$ (9,712)</b>  | <b>\$ (7,710)</b> |
| <b>Financing Activities</b>  |                    |                   |
| Proceeds from the issuance of common stock                                       | 8,379              | 6,563             |
| Payments on long term debt   | (4,200)            | (7,000)           |
| Proceeds from (payments on) other debt, net                                      | (34,549)           | 5,831             |
| <b>Net cash (used in) / generated from financing activities</b>                  | <b>\$ (30,370)</b> | <b>\$ 5,394</b>   |
| <b>Net increase in cash and cash equivalents</b>                                 | <b>24,215</b>      | <b>4,305</b>      |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (256)              | (497)             |
| Cash and cash equivalents and restricted cash at the beginning of the period     | 32,626             | 24,569            |
| <b>Cash and cash equivalents and restricted cash at the end of the period</b>    | <b>\$ 56,585</b>   | <b>\$ 28,377</b>  |
| <b>Components of cash and cash equivalents and restricted cash</b>               |                    |                   |
| Balances with banks  | 48,463             | 17,795            |
| Restricted cash  | 8,122              | 10,582            |
| <b>Total cash and cash equivalents and restricted cash</b>                       | <b>56,585</b>      | <b>\$ 28,377</b>  |
| <b>Supplemental disclosure of Cash Flow Information</b>                          |                    |                   |
| Cash paid for Interest and other finance cost                                    | 10,392             | 11,179            |
| Cash paid for income taxes   | 2,752              | 6,740             |
| Non cash warrant contra revenue  | 1,173              | 730               |
| Non cash share-based compensation expenses                                       | 447                | 1,151             |

See Notes to Consolidated Financial Statements.

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

|   | Common Stock      |               | Other Items of OCI         |                     |                              |  | Equity attributable to Startek shareholders | Non-controlling interest | Total stockholders' equity |                           |
|---|-------------------|---------------|----------------------------|---------------------|------------------------------|--|---|--------------------------|----------------------------|---------------------------|
|   | 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, 2020</b>         | <b>40,210,299</b> | <b>\$ 401</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                     |
| <b>Balance at September 30, 2020</b>    | <b>40,288,453</b> | <b>\$ 403</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>Balance at June 30, 2019</b>         | <b>38,452,111</b> | <b>\$ 384</b> | <b>\$ 275,284</b>          | <b>\$ (38,067)</b>  | <b>\$ (3,389)</b>            | <b>\$ 333</b>                                  | <b>\$ (1,578)</b>                           | <b>\$ 232,967</b>        | <b>\$ 46,912</b>           | <b>\$ 279,879</b>         |
| Issuance of common stock                | 30,914            | 1             | 96                         | -                   | -                            | -  | -   | 97                       | -                          | 97                        |
| Share-based compensation expenses       | -                 | -             | 370                        | -                   | -                            | -  | -   | 370                      | -                          | 370                       |
| Warrant expenses                        | -                 | -             | -                          | -                   | -                            | -  | -   | -                        | -                          | -                         |
| Net income (loss)                       | -                 | -             | -                          | (2,787)             | -                            | -  | -   | (2,787)                  | (575)                      | (3,362)                   |
| Other comprehensive loss for the period | -                 | -             | -                          | -                   | (1,899)                      | (298)  | 10  | (2,187)                  | (19)                       | (2,206)                   |

|  |                   |               |                   |                    |                   |                 |                   |                   |                  |                   |
|--|-------------------|---------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|------------------|-------------------|
| <b>Balance at September 30, 2019</b>                 | <b>38,483,025</b> | <b>\$ 385</b> | <b>\$ 275,750</b> | <b>\$ (40,854)</b> | <b>\$ (5,288)</b> | <b>\$ 35</b>    | <b>\$ (1,568)</b> | <b>\$ 228,460</b> | <b>\$ 46,318</b> | <b>\$ 274,778</b> |
| <b>Nine months ended</b>                             |                   |               |                   |                    |                   |                 |                   |                   |                  |                   |
| <b>Balance at December 31, 2019</b>                  | <b>38,525,636</b> | <b>\$ 385</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>\$ 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>Balance at December 31, 2018</b>                  |                   |               |                   |                    |                   |                 |                   |                   |                  |                   |
| <b>Balance at December 31, 2018</b>                  | <b>37,446,323</b> | <b>\$ 374</b> | <b>\$ 267,317</b> | <b>\$ (31,127)</b> | <b>\$ (3,989)</b> | <b>\$ (15)</b>  | <b>\$ (1,543)</b> | <b>\$ 231,017</b> | <b>\$ 45,356</b> | <b>\$ 276,373</b> |
| Issuance of common stock                             | 1,036,702         | 11            | 6,552             | -                  | -                 | -               | -                 | 6,563             | -                | 6,563             |
| Share-based compensation expenses                    | -                 | -             | 1,151             | -                  | -                 | -               | -                 | 1,151             | -                | 1,151             |
| Warrant expenses                                     | -                 | -             | 730               | -                  | -                 | -               | -                 | 730               | -                | 730               |
| Net income (loss)                                    | -                 | -             | -                 | (9,727)            | -                 | -               | -                 | (9,727)           | 1,007            | (8,720)           |
| Other comprehensive loss for the period              | -                 | -             | -                 | -                  | (1,299)           | 50              | (25)              | (1,274)           | (45)             | (1,319)           |
| <b>Balance at September 30, 2019</b>                 | <b>38,483,025</b> | <b>\$ 385</b> | <b>\$ 275,750</b> | <b>\$ (40,854)</b> | <b>\$ (5,288)</b> | <b>\$ 35</b>    | <b>\$ (1,568)</b> | <b>\$ 228,460</b> | <b>\$ 46,318</b> | <b>\$ 274,778</b> |

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

**1. OVERVIEW AND BASIS OF PREPARATION**

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

**Business**

Startek is a 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 touch points and channels. Startek has more than 40,000 CX experts globally spread across 46 delivery campuses in 13 countries. The Company services over 250 clients across a range of industries such as Banking and Financial Services, Insurance, Technology, Telecom, Healthcare, Travel & Hospitality, Consumer Goods, Retail, and Energy & 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 a variety of 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 unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US-GAAP") for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by US-GAAP for complete financial statements.

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

The consolidated financial statements reflect the financial results of all subsidiaries that are more than 50% owned and over which the Company exerts control. When the Company does not have majority ownership in an entity but exerts significant influence over that entity, the Company accounts for the entity under the equity method of accounting. All intercompany balances are eliminated on consolidation. Where our ownership of a subsidiary was less

than 100%, the non-controlling interest is reported in our Consolidated Balance Sheets. The non-controlling interest in our consolidated net income is reported as "Net income (loss) attributable to non-controlling interests" in our Consolidated Statement of Income (loss).

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Use of Estimates*

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

### *Revenue*

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

### *Leases*

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

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

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

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

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

During the first quarter of 2020, the COVID-19 pandemic did not trigger changes to the terms of any of the Company's leases, however during second quarter we have received partial relief from few landlords in terms of rent discounts for certain periods and deferments of rent for a few facilities. Rent discounts and deferment of rent have been accounted for without lease modification using the practical expedient provided by the FASB. There is no new rent deferments/discounts being received in quarter ending September 30, 2020.

### ***Business Combinations***

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

### ***Goodwill and Intangible Assets***

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

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

### ***Foreign Currency Matters***

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

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

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

### ***Common Stock Warrant Accounting***

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



## **Recent Accounting Pronouncements**

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

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

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

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

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

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

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

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

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

| Reporting Units | September 30,<br>2020 | December 31,<br>2019 |
|-----------------|-----------------------|----------------------|
| Americas        | 64,315                | 64,315               |
| India           | 15,180                | 31,000               |
| Malaysia        | 47,543                | 47,543               |
| Saudi Arabia    | 54,840                | 54,840               |
| South Africa    | 1,578                 | 5,910                |
| Argentina       | 4,991                 | 4,991                |
| Australia       | 8,186                 | 10,742               |
| Total           | <b>\$ 196,633</b>     | <b>\$ 219,341</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 Goodwill was allocated to new reporting units using a relative fair value allocation approach. We performed a quantitative assessment to determine if the fair value of each of our reporting units with goodwill exceeded its carrying value.

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

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

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

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

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

|   | Amount            |
|---|-------------------|
| Opening balance, December 31, 2019        | \$ 219,341        |
| Impairment                                | (22,708)          |
| <b>Ending balance, September 30, 2020</b> | <b>\$ 196,633</b> |

#### Intangible Assets

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

|                        | Gross<br>Intangibles | Accumulated<br>Amortization | Net<br>Intangibles | Weighted<br>Average<br>Amortization<br>Period (years) |
|------------------------|----------------------|-----------------------------|--------------------|---|
| Customer relationships | \$ 66,220            | \$ 14,882                   | \$ 51,338          | 6.5   |
| Brand                  | 49,500               | 10,484                      | 39,016             | 7.1   |
| Trademarks             | 13,210               | 1,935                       | 11,275             | 7.5   |
| Other intangibles      | 2,130                | 717                         | 1,413              | 4.9   |
|                        | <b>\$ 131,060</b>    | <b>\$ 28,018</b>            | <b>\$ 103,042</b>  |   |

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

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

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

| Years Ending December 31, | Amount   |
|---------------------------|----------|
| Remainder of 2020         | \$ 2,587 |
| 2021                      | 10,350   |
| 2022                      | 10,350   |

|            |        |
|------------|--------|
| 2023       | 10,306 |
| 2024       | 10,252 |
| Thereafter | 59,197 |

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**4. REVENUE**

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

***Contracts with Customers***

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

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

***Performance Obligations***

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

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

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

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

**Revenue Recognition Methods**

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

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

**Practical expedients and exemptions**

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

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

Our net revenues in the second quarter were negatively impacted by COVID-19, primarily due to lockdowns and lower active workforce in most of the Geographies where we had operations, the Company did see improvement throughout the current quarter as countries and states began to gradually re-open.

**Disaggregated Revenue**

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

|                                   | Three Months Ended September 30, |                   | Nine Months Ended September 30, |                   |
|-----------------------------------|----------------------------------|-------------------|---------------------------------|-------------------|
|                                   | 2020                             | 2019              | 2020                            | 2019              |
| <b>Vertical:</b>                  |                                  |                   |                                 |                   |
| Telecom                           | 54,834                           | 61,439            | 160,362                         | 191,684           |
| E-commerce & Consumer             | 23,320                           | 27,530            | 71,884                          | 76,249            |
| Financial & Business Services     | 12,208                           | 12,392            | 36,041                          | 38,957            |
| Media & Cable                     | 25,536                           | 23,408            | 70,801                          | 68,752            |
| Travel & Hospitality              | 15,063                           | 18,244            | 45,028                          | 52,133            |
| Healthcare & Education            | 12,315                           | 11,880            | 34,932                          | 30,761            |
| Technology, IT & Related Services | 4,813                            | 3,063             | 14,310                          | 8,958             |
| All other segments                | 15,008                           | 6,674             | 33,568                          | 19,560            |
| <b>Gross Revenue</b>              | <b>163,097</b>                   | <b>164,630</b>    | <b>466,926</b>                  | <b>487,054</b>    |
| Less: Warrant Contra Revenue      | (410)                            | -                 | (1,173)                         | (730)             |
| <b>Net Revenue</b>                | <b>\$ 162,687</b>                | <b>\$ 164,630</b> | <b>465,753</b>                  | <b>\$ 486,324</b> |

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

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

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

The Company always maintained Startek's 2008 Equity Incentive Plan (see Note 10, "Share-based compensation and employee benefit plans" for more information). For the three and nine months ended September 30, 2020 and 2019, the following shares were not included in the computation of diluted earnings per share as their effect would have been anti-dilutive (in thousands):

|                                  | Three Months Ended September 30, |       | Nine Months Ended September 30, |       |
|----------------------------------|----------------------------------|-------|---------------------------------|-------|
|                                  | 2020                             | 2019  | 2020                            | 2019  |
| <b>Anti-dilutive securities:</b> |                                  |       |                                 |       |
| Stock options                    | 211                              | 2,637 | 2,334                           | 2,637 |

## 6. IMPAIRMENT LOSSES & RESTRUCTURING/EXIT COST

### *Impairment Loss*

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

### *Restructuring/Exit Cost*

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

|   | Employee related | Facilities related | Total    |
|---|------------------|--------------------|----------|
| <b>Balance as of December 31, 2019</b>  | \$ 1,326         | \$ 514             | \$ 1,840 |
| Accruals/(reversals)                    | 1,497            | 340                | 1,837    |
| Payments                                | (2,823)          | (743)              | (3,566)  |
| <b>Balance as of September 30, 2020</b> | \$ -             | \$ 111             | \$ 111   |

### *Employee related*

In 2020, under a company-wide restructuring plan, we eliminated a number of positions which were considered redundant coupled with change in key management personnel. We recognized provision for employee related costs across a number of geographies and due payments have been made.

### *Facilities related*

In 2018, we terminated various leases in the United States and the Philippines due to closedown of the facilities. We recognized provision for the remaining costs associated with the leases. We expect to pay the remaining costs of \$111 by the end of the first quarter of 2021.

## 7. DERIVATIVE INSTRUMENTS

### *Cash flow hedges*

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

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

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

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

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

|                            | Gain (Loss)<br>Recognized in<br>AOCI, net of tax<br>Nine Months<br>Ended September<br>30, 2020 | Gain (Loss)<br>Recognized in<br>AOCI, net of tax<br>Nine Months<br>Ended September<br>30, 2019 | Gain/ (Loss)<br>Reclassified from<br>AOCI into Income<br>Nine Months<br>Ended September<br>30, 2020 | Gain/ (Loss)<br>Reclassified from<br>AOCI into Income<br>Nine Months<br>Ended September<br>30, 2019 |
|----------------------------|--|--|---|---|
| Cash flow hedges:          |  |  |   |   |
| Foreign exchange contracts | (434)  | 271  | (143)   | (221)   |

#### Non-designated hedges

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

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

|   | For the Three<br>Months<br>Ended<br>September 30,<br>2020 | For the Three<br>Months<br>Ended<br>September 30,<br>2019 | For the Nine<br>Months<br>Ended<br>September 30,<br>2020 | For the Nine<br>Months<br>Ended<br>September 30,<br>2019 |
|---|---|---|--|--|
| <b>Derivatives not designated under ASC 815</b> |   |   |  |  |
| Foreign currency forward contracts              | \$ (578)  | \$ 393  | \$ (110)   | \$ 536   |
| Interest rate swap                              | \$ (2)  | \$ (6)  | \$ (424)   | \$ (636)   |

## 8. FAIR VALUE MEASUREMENTS

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

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

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

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

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#### Derivative Instruments

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

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

|  | Level 1 | As of September 30, 2020<br>Level 2 | Level 3 | Total    |
|--|---------|-------------------------------------|---------|----------|
| <b>Assets:</b>   |         |                                     |         |          |
| Foreign exchange contracts                               | \$ —    | \$ 1,256                            | \$ —    | \$ 1,256 |
| Total fair value of assets measured on a recurring basis | \$ —    | \$ 1,256                            | \$ —    | \$ 1,256 |
| <b>Liabilities:</b>                                      |         |                                     |         |          |
| Interest rate swap                                       | \$ —    | \$ 344                              | \$ —    | \$ 344   |

|   |      |        |      |        |
|---|------|--------|------|--------|
| Foreign exchange contracts                                    | \$ — | \$ —   | \$ — | \$ —   |
| Total fair value of liabilities measured on a recurring basis | \$ — | \$ 344 | \$ — | \$ 344 |

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

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## 9. DEBT

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

|   | September 30,<br>2020 | December 31,<br>2019 |
|---|-----------------------|----------------------|
| <b>Short term debt</b>                        |                       |                      |
| Working capital facilities                    | \$ 15,206             | \$ 23,179            |
| Loan from related parties                     | -                     | 3,312                |
| <b>Current portion of long term debt</b>      |                       |                      |
| Current maturity of long term loan            | 17,850                | 16,800               |
| Current maturity of equipment loan            | 726                   | 801                  |
| Current maturity of finance lease obligations | 566                   | 632                  |
| <b>Total</b>                                  | <b>\$ 34,348</b>      | <b>\$ 44,724</b>     |
| <b>Long term debt</b>                         |                       |                      |
| Term loan, net of debt issuance costs         | \$ 100,973            | \$ 105,075           |
| Equipment loan                                | 99                    | 619                  |
| Secured revolving credit facility             | -                     | 23,097               |
| Finance lease obligations                     | 554                   | 1,353                |
| <b>Total</b>                                  | <b>\$ 101,626</b>     | <b>\$ 130,144</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 \$15.2 million as of September 30, 2020.

### Loan from related parties

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

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

### Term loan

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

On July 9, 2020, the Company entered into an Amended and Restated Facility Agreement to amend some of the terms of the Term Loan subject to certain conditions. The key terms amended include, deferment of principal repayment for the amounts due between May 2020 and Jan 2021. Testing of covenants were also waived for the calendar year 2020 and covenant testing will be carried out for the quarter ended March 2021. Under the conditions laid down in the aforementioned Agreement, the November 2020 principal repayment of \$4.2 million that was earlier deferred, now becomes due.

Principal payments due on the term loan are as follows:

| Years             | Amount |
|-------------------|--------|
| Remainder of 2020 | 4,200  |
| 2021              | 22,050 |

|              |                   |
|--------------|-------------------|
| 2022         | 95,550            |
| <b>Total</b> | <b>\$ 121,800</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.

In connection with the Term loan, the Company incurred issuance costs of \$7.3 million which are net against the Term loan on the balance sheet. Unamortized debt issuance costs as of September 30, 2020 amount to \$2.98 million. The Company agreed to pay a one time consent fees to the lender consortium towards the Amendment Agreement entered into on July 9, 2020. The consent fee would be \$0.9 million and will be payable no later than June 30, 2021.

***Secured revolving credit facility***

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

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

***Non-recourse factoring***

We have entered into factoring agreements with financial institutions to sell certain of our accounts receivable under non-recourse agreements. Under the arrangement, the Company sells the trade receivables on a non-recourse basis and accounts for the transactions as sales of receivables. The applicable receivables are removed from the Company's consolidated balance sheet when the cash proceeds are received by the Company. We do not service any factored accounts after the factoring has occurred. We utilize factoring arrangements as part of our financing for working capital. The aggregate gross amount factored under these agreements was \$26.82 million for nine months ended September 30, 2020.



**BMO Equipment Loan**

On December 27, 2018, the Company executed an agreement to secure a loan against US and Canadian assets in the amount of \$2.06 million at the interest of 7.57% per annum, to be repaid over 2.5 years. The loan was funded in January 2019. The amounts outstanding as at September 30, 2020 is \$0.83 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 vested upon the execution of the Amazon Transaction Agreement. The remainder of the Warrant Shares will vest in various tranches based on Amazon’s payment of up to \$600 million to us or any of our affiliates in connection with the receipt by Amazon or any of its affiliates of commercial services from us or any of our affiliates. The Warrant Shares are exercisable through January 23, 2026.

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

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

As per ASC 606, the Company has accrued \$410 and \$1,173 for the three and nine month ended September 30, 2020 respectively using initial grant-date fair value.

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

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

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

**Share-based compensation**

Our share-based compensation arrangements include grants of stock options, restricted stock units and deferred stock units under the StarTek, Inc. 2008 Equity Incentive Plan and our Employee Stock Purchase Plan. The compensation expense that has been charged against income for the three months and nine months ended September 30, 2020 was \$238 and \$447, and is included in selling, general and administrative expense. As of September 30, 2020, there was \$1,012 of total unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.66 years.

On July 1 2020, the Company entered into an Employment Agreement with Mr. Aparup Sengupta who is designated as Executive Chairman and Global CEO. On the basis of the Employment Agreement, during the quarter the Company has issued and paid \$600 in form of fully vested equity shares and also accrued other compensation cost of approximately \$450 as of September 30, 2020.

**11. ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss consisted of the following items:

| Foreign<br>Currency | Derivatives<br>Accounted for | Defined<br>Benefit Plan | Equity<br>attributable to | Non-<br>controlling<br>interests | Total |
|---------------------|------------------------------|-------------------------|---------------------------|----------------------------------|-------|
|---------------------|------------------------------|-------------------------|---------------------------|----------------------------------|-------|

|                                      | Translation<br>Adjustment | as Cash Flow<br>Hedges |            | Startek<br>shareholders |            |             |
|--------------------------------------|---------------------------|------------------------|------------|-------------------------|------------|-------------|
| <b>Balance at December 31, 2019</b>  | \$ (4,568)                | \$ 475                 | \$ (1,929) | \$ (6,022)              | \$ (1,597) | \$ (7,619)  |
| Foreign currency translation         | (2,729)                   | -                      | -          | (2,729)                 | -          | (2,729)     |
| Reclassification to operations       | -                         | (143)                  | -          | (143)                   | -          | (143)       |
| Unrealized losses                    | -                         | (434)                  | -          | (434)                   | -          | (434)       |
| Pension remeasurement                | -                         | -                      | (645)      | (645)                   | (1,211)    | (1,856)     |
| <b>Balance at September 30, 2020</b> | \$ (7,297)                | \$ (102)               | \$ (2,574) | \$ (9,973)              | \$ (2,808) | \$ (12,781) |

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## 12. SEGMENT REPORTING

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

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

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

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

|  | Three Months Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                   |
|--|-------------------------------------|-------------------|------------------------------------|-------------------|
|  | 2020                                | 2019              | 2020                               | 2019              |
| <b>Revenue:</b>                          |                                     |                   |                                    |                   |
| Americas                                 | 64,597                              | 67,072            | 191,244                            | 184,070           |
| India & Sri Lanka                        | 19,821                              | 28,362            | 60,771                             | 84,519            |
| Malaysia                                 | 13,933                              | 13,312            | 37,835                             | 46,508            |
| Middle East                              | 43,665                              | 31,816            | 114,425                            | 97,150            |
| Argentina & Peru                         | 9,312                               | 11,637            | 28,517                             | 36,060            |
| Rest of World                            | 11,359                              | 12,431            | 32,961                             | 38,017            |
| <b>Total</b>                             | <b>\$ 162,687</b>                   | <b>\$ 164,630</b> | <b>\$ 465,753</b>                  | <b>\$ 486,324</b> |
|  |                                     |                   |                                    |                   |
|  | Three Months Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                   |
|  | 2020                                | 2019              | 2020                               | 2019              |
| <b>Operating income (loss):</b>          |                                     |                   |                                    |                   |
| Americas                                 | \$ 4,052                            | \$ 3,170          | \$ 4,723                           | \$ 2,232          |
| India & Sri Lanka                        | (1,633)                             | 1,050             | (2,538)                            | 1,302             |
| Malaysia                                 | 3,580                               | 1,749             | 8,520                              | 5,621             |
| Middle East                              | 3,156                               | (445)             | 5,371                              | 4,939             |
| Argentina & Peru                         | 854                                 | 1,317             | 494                                | 1,197             |
| Rest of World                            | 609                                 | 787               | 1,335                              | 1,635             |
| <b>Segment operating income</b>          | <b>10,618</b>                       | <b>7,628</b>      | <b>17,905</b>                      | <b>16,926</b>     |
| <b>Startek consolidation adjustments</b> |                                     |                   |                                    |                   |
| Goodwill impairment                      | -                                   | -                 | 22,708                             | -                 |
| Intangible amortization                  | 2,603                               | 2,286             | 7,766                              | 7,662             |
| <b>Total operating income/ (loss)</b>    | <b>\$ 8,015</b>                     | <b>\$ 5,342</b>   | <b>\$ (12,569)</b>                 | <b>\$ 9,264</b>   |

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

|  | As on<br>September 30,<br>2020 | As on<br>December 31,<br>2019 |
|--|--------------------------------|-------------------------------|
| <b>Property, plant and equipment, net:</b> |                                |                               |
| Americas                                   | 11,800                         | 14,156                        |
| India & Sri Lanka                          | 12,067                         | 10,772                        |
| Malaysia                                   | 3,854                          | 4,375                         |
| Middle East                                | 4,468                          | 4,722                         |
| Argentina & Peru                           | 1,396                          | 1,701                         |

|               |                  |                  |
|---------------|------------------|------------------|
| Rest of World | 838              | 1,781            |
| <b>Total</b>  | <b>\$ 34,423</b> | <b>\$ 37,507</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:

|                                     | <b>Three Months<br/>Ended<br/>September 30,<br/>2020</b> | <b>Three Months<br/>Ended<br/>September 30,<br/>2019</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2020</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2019</b> |
|-------------------------------------|--|--|---|---|
| <b>Operating lease cost</b>         | 6,920  | 7,623  | 21,290  | 23,064  |
| <b>Finance lease cost:</b>          |  |  |   |   |
| Amortization of right-of-use assets | 166  | 272  | 834   | 1,257   |
| Interest on lease liabilities       | 18   | 28   | 92  | 71  |
| <b>Total Finance lease cost</b>     | <b>184</b>   | <b>300</b>   | <b>926</b>  | <b>1,328</b>  |

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Supplemental cash flow information related to leases was as follows:

|  | <b>Nine Months<br/>Ended September<br/>30, 2020</b> | <b>Nine Months<br/>Ended September<br/>30, 2019</b> |
|--|---|---|
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b> |   |   |
| Operating cash flows from operating leases                                     | 21,040  | 22,783  |
| Operating cash flow from finance leases  | 92  | 71  |
| Financing cash flows from finance leases                                       | 926   | 1,831   |
| <b>Right-of-use assets obtained in exchange for lease obligations:</b>         |   |   |
| Operating leases   | 17,393  | 66,647  |
| Finance leases   | -   | -   |

Supplemental balance sheet information related to leases was as follows:

|  | <b>As of September<br/>30, 2020</b> | <b>As of December<br/>31, 2019</b> |
|--|-------------------------------------|------------------------------------|
| <b>Operating leases</b>                      |                                     |                                    |
| Operating lease right-of-use assets          | 70,256                              | 73,692                             |
|  | -                                   | -                                  |
| Operating lease liabilities - Current        | 18,649                              | 19,677                             |
| Operating lease liabilities - Non-current    | 52,854                              | 54,341                             |
| <b>Total operating lease liabilities</b>     | <b>71,503</b>                       | <b>74,018</b>                      |
| <b>Finance Leases</b>                        |                                     |                                    |
| Property and equipment, at cost              | 5,174                               | 4,391                              |
| Accumulated depreciation                     | (3,610)                             | (1,984)                            |
| <b>Property and equipment, at net</b>        | <b>1,564</b>                        | <b>2,407</b>                       |
|  | -                                   | -                                  |
| Finance lease liabilities - Current          | 566                                 | 632                                |
| Finance lease liabilities - Non-current      | 554                                 | 1,353                              |
| <b>Total finance lease liabilities</b>       | <b>1,120</b>                        | <b>1,985</b>                       |
| <b>Weighted average remaining lease term</b> | <b>As of September<br/>30, 2020</b> | <b>As of December<br/>31, 2019</b> |
| Operating leases                             | 4.38 yrs                            | 4.66 yrs                           |
| Finance leases                               | 1.17 yrs                            | 1.92 yrs                           |
| <b>Weighted average discount rate</b>        |                                     |                                    |
| Operating leases                             | 6.78%                               | 7.27%                              |
| Finance leases                               | 6.01%                               | 6.01%                              |

Maturities of lease liabilities were as follows:

|  | <b>Operating Leases</b> | <b>Finance Leases</b> |
|--|-------------------------|-----------------------|
| Year ending December 31,<br>Remaining 2020 | 22,720                  | 201                   |

|                             |               |              |
|-----------------------------|---------------|--------------|
| 2021                        | 15,158        | 567          |
| 2022                        | 13,558        | 442          |
| 2023                        | 11,863        | -            |
| 2024                        | 7,748         | -            |
| Thereafter                  | 4,473         | -            |
| <b>Total Lease payments</b> | <b>75,520</b> | <b>1,210</b> |
| Less imputed interest       | (4,017)       | (90)         |
| <b>Total</b>                | <b>71,503</b> | <b>1,120</b> |

#### 14. SUBSEQUENT EVENT

None.

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

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

### BUSINESS DESCRIPTION AND OVERVIEW

Startek is a 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 touch points and channels. Startek has more than 40,000 CX experts globally spread across 46 delivery campuses in 13 countries. The Company services over 250 clients across a range of industries such as Banking and Financial Services, Insurance, Technology, Telecom, Healthcare, Travel & Hospitality, Consumer Goods, Retail, and Energy & Utilities.

Startek manages over half a billion customer moments of truth each year for the world's finest brands. We help these brands increase their revenues by enabling better experiences for their customers across multiple channels. As a leading provider of technology-enabled business process management solutions for major global brands—we drive business value through omni-channel customer experiences, digital transformation, and technology services.

We manage programs using a variety of multi-channel customer interactions, including voice, chat, email, social media and back-office support.

### SIGNIFICANT DEVELOPMENTS

#### *Coronavirus*

The global spread of the novel coronavirus (COVID-19) 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 the safety and well-being of our employees, business continuity for our clients and supporting the efforts of governments around the world to contain the spread of the virus. In light of our commitment to help our clients as they navigate unprecedented business challenges while protecting the safety of our employees, we have taken numerous steps, and will continue to take further actions, to address the COVID-19 pandemic. We 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.

We continue to monitor the COVID-19 situation and its impacts globally. Out of an abundance of caution for the health of our employees and to support local government initiatives to stem the spread of the virus, we implemented several precautions at various centers around the world at all times in compliance with local government requirements and Centers for Disease Control and Prevention ("CDC") guidelines.

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

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

#### *Revenue*

Our gross revenues for the three months ended September 30, 2020 decreased by 0.93% to \$163,097 as compared to \$164,630 for the three months ended September 30, 2019.

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

|  |  |
|--|--|
| <b>For the Three<br/>Months Ended<br/>September 30, 2020</b> | <b>For the Three<br/>Months Ended<br/>September 30, 2019</b> |
|--|--|

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Revenues               | \$ 163,097        | \$ 164,630        |
| Warrant Contra Revenue | (410)             | -                 |
| <b>Net Revenue</b>     | <b>\$ 162,687</b> | <b>\$ 164,630</b> |

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Our net revenues adjusted for warrant contra revenue for the three months ended September 30, 2020 was lower at \$162,687 compared to \$164,630 for the three months ended September 30, 2019. The breakdown of our net revenues from various industry verticals for three months ended September 30, 2020 and 2019 is as follows:

|                                   | <b>For the Three<br/>Months Ended<br/>September 30,<br/>2020</b> | <b>For the Three<br/>Months Ended<br/>September 30,<br/>2019</b> |
|-----------------------------------|--|--|
| <b>Verticals:</b>                 |  |  |
| Telecom                           | 34%  | 37%  |
| E-commerce & Consumer             | 14%  | 17%  |
| Financial & Business Services     | 8%   | 8%   |
| Media & Cable                     | 16%  | 14%  |
| Travel & Hospitality              | 9%   | 11%  |
| Healthcare & Education            | 8%   | 7%   |
| Technology, IT & Related Services | 3%   | 2%   |
| Others                            | 8%   | 4%   |

Our concentration to Telecom revenues decreased to 34% for the three months ended September 30, 2020 as compared to 37% for the comparable three months ended September 30, 2019.

During the earlier part of the current quarter, we witnessed softness in the e-commerce and consumer vertical due to lower demand in the underlying industry vertical due to lockdowns and movement restrictions across multiple geographies. However, this eased considerably during the quarter as restrictions eased and there was an increased adoption to e-commerce platforms from end consumers.

The Company has seen growth in other verticals including media and cable, healthcare & education and others which have helped offset the reduction in telecom revenues.

Despite the continuing negative impact of COVID-19, the Company saw significant improvement sequentially as countries and states began to gradually re-open. The Company continues to operate its brick and mortar centers across the globe, adhering to social distance norms and in compliance with local regulations. However, the ultimate COVID-19 impact on sales in the near and medium term remain highly fluid and will continue to evolve with the virus waves.

As of the end of September 2020, approximately 50% of agents who otherwise work in our brick-and-mortar facilities have transitioned to work at home, approximately 40% are working in our facilities.

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**Cost of services**

Overall, cost of services as a percentage of revenue increased to 85.9% for the three months ended September 30, 2020 as compared to 82.7% for the three months ended September 30, 2019. Employee expenses, rent costs and depreciation and amortization are the most significant costs for the Company, representing 75%, 5.4% and 4.0% of total cost of services, respectively. The breakdown of cost of services is listed in the table below:

|                               | <b>Three Months Ended<br/>September 30,</b> |                   | <b>As % of Revenue</b> |             |
|-------------------------------|---|-------------------|------------------------|-------------|
|                               | <b>2020</b>                                 | <b>2019</b>       | <b>2020</b>            | <b>2019</b> |
| Employee Benefit Expenses     | \$ 104,881                                  | \$ 106,402        | 64.5%                  | 64.6%       |
| Rent expense                  | 7,548                                       | 6,898             | 4.6%                   | 4.2%        |
| Depreciation and amortization | 5,551                                       | 5,514             | 3.4%                   | 3.3%        |
| Other                         | 21,828                                      | 17,327            | 13.4%                  | 10.5%       |
| <b>Total</b>                  | <b>\$ 139,808</b>                           | <b>\$ 136,142</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 remained largely flat at 64.5% for the current period as compared to 64.6% for the previous period. With approximately 90% of our headcount now active, we were able to sequentially reverse the deleveraging impact seen in the earlier quarters.

*Rent expense:* Rent expense as a percentage of revenue increased to 4.6% for the current period as compared to 4.2% for previous period. On a year on year basis, the costs were higher due to new facility taken in Jamaica which was partially offset by capacity rationalization in India and the USA.

*Depreciation and amortization:* Depreciation and amortization expense as a percentage of revenue for the current period was largely flat at 3.4% as compared 3.3% for the previous period.

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs increased from 10.5% to 13.4%. The increase was due to higher outsourcing/contract expenses and communication expenses partially offset by lower travelling and recruitment costs.

As a result, gross profit as a percentage of revenue for the current period decreased to 14.1% as compared to 17.3% for the previous period.

#### ***Selling, general and administrative expenses***

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 13.9% in the previous period to 9.1% in the current period. The decrease was driven by savings in rent, travelling expenses and recruitment expenses.

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

Impairment losses and restructuring costs, net totaled \$(12) for the current period as compared to \$220 for the previous period.

#### ***Interest expense, net***

Interest expense, net totaled \$3,988 for the current period as compared to \$3,372 for the previous period. The interest expense is on our term debt and revolving line of credit facilities and it includes a one-time consent fees payable for debt restructuring of \$922.

#### ***Income tax expense***

Income tax expense for the current period was \$1,649 compared to \$3,436 for the previous period. The movement in interest cost and the implied effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate. Additionally, movement of funds between various geographies primarily to service our debt facilities also attract withholding taxes.

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## **RESULTS OF OPERATIONS — NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

### ***Revenue***

Our gross revenues for the nine months ended September 30, 2020 decreased by 4.13% to \$466,926 as compared to \$487,054 for the nine months ended September 30, 2019.

Our net revenue for the nine months ended September 30, 2020 and 2019:

|                        | <b>For the Nine Months<br/>Ended September 30,<br/>2020</b> | <b>For the Nine Months<br/>Ended September 30,<br/>2019</b> |
|------------------------|---|---|
| Revenues               | \$ 466,926  | \$ 487,054  |
| Warrant Contra Revenue | (1,173)   | (730)   |
| <b>Net Revenue</b>     | <b>\$ 465,753</b>   | <b>\$ 486,324</b>   |

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Our net revenues adjusted for warrant contra revenue for the nine months ended September 30, 2020 was lower at \$465,753 compared to \$486,324 for the nine months ended September 30, 2019. The breakdown of our net revenues from various industry verticals for nine months ended September 30, 2020 and 2019 is as follows:

|                                   | <b>For the Nine<br/>Months Ended<br/>September 30,<br/>2020</b> | <b>For the Nine<br/>Months Ended<br/>September 30,<br/>2019</b> |
|-----------------------------------|---|---|
| <b>Verticals:</b>                 |   |   |
| Telecom                           | 34%   | 39%   |
| E-commerce & Consumer             | 15%   | 16%   |
| Financial & Business Services     | 8%  | 8%  |
| Media & Cable                     | 15%   | 14%   |
| Travel & Hospitality              | 10%   | 11%   |
| Healthcare & Education            | 8%  | 6%  |
| Technology, IT & Related Services | 3%  | 2%  |
| Others                            | 7%  | 4%  |

Our concentration to telecom revenue decreased to 34% of our revenue for the nine months ended September 30, 2020 as compared to 39% for the comparable nine months ended September 30, 2019. The Company has partially offset this contraction in revenue percentage from telecom vertical with

expansion in revenues from other verticals.

While our net revenues in the nine months were negatively impacted by COVID-19, primarily related to lockdowns and lower active workforce, the Company did see improvement throughout the current quarter as countries and states began to gradually re-open.

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**Cost of services**

Overall, cost of services as a percentage of revenue increased to 87.4% for the nine months ended September 30, 2020 as compared to 82.9% for the nine months ended September 30, 2019. Employee expenses, rent costs and depreciation and amortization are the most significant costs for the Company, representing 76.1%, 5.7% and 4.2% of total cost of services, respectively. The breakdown of cost of services is listed in the table below:

|                               | Nine Months Ended September 30, |                   | As % of Revenue |       |
|-------------------------------|---------------------------------|-------------------|-----------------|-------|
|                               | 2020                            | 2019              | 2020            | 2019  |
| Employee Benefit Expenses     | \$ 309,849                      | \$ 308,664        | 66.5%           | 63.5% |
| Rent expense                  | 23,146                          | 22,591            | 5.0%            | 4.6%  |
| Depreciation and amortization | 16,926                          | 16,380            | 3.6%            | 3.4%  |
| Other                         | 57,082                          | 55,429            | 12.3%           | 11.4% |
| <b>Total</b>                  | <b>\$ 407,003</b>               | <b>\$ 403,064</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 increased to 66.5% for the current period as compared to 63.5% for the previous period. The increase in employee costs, as a percentage of revenues, was largely attributable to deleveraging resulting from COVID 19 negative impact on revenues. The Company also had to incur higher costs on ensuring employees had a safe and secure work environment and following all the protocols and guidelines issued by various local authorities across the geographies we operate in.

**Rent expense:** Rent expense as a percentage of revenue increased to 5.0% for the current period as compared to 4.6% for previous period. Rent expense increased as a percentage of sales driven by deleveraging resulting from the COVID-19 negative impact on revenues.

**Depreciation and amortization:** Depreciation and amortization expense as a percentage of revenue for the current period was marginally higher at 3.6% as compared 3.4% for the previous period.

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs marginally increased from 11.4% to 12.3%. The increase was due to higher outsourcing expenses and communications expense partially offset by lower recruitment and travelling costs.

As a result, gross profit as a percentage of revenue for the current period decreased to 12.6% as compared to 17.1% for the previous period.

**Selling, general and administrative expenses**

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 14.8% in the previous period to 10% in the current period. The reduction is as a result of various measures implemented to rationalize costs and leading to sequential decline in selling, general and administrative expenses.

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

Impairment losses and restructuring costs, net totaled \$24,545 for the current period as compared to \$2,069 for the previous period. The expense for the current period primarily relates to goodwill impairment loss of \$22,708 and restructuring expenses of \$1,837. As a result of the recent global economic disruption and uncertainty due to the novel coronavirus ("COVID-19") pandemic the Company had during the first quarter of the current period, taken a goodwill impairment charge of \$15,820, \$4,332 and \$2,556, for India, South Africa and Australia reporting units, respectively.

**Interest expense, net**

Interest expense, net totaled \$10,684 for the current period as compared to \$11,864 for the previous period. The interest expense is on our term debt and revolving line of credit facilities and it includes a one-time consent fees payable for debt restructuring of \$922.

**Income tax expense**

Income tax expense for the current period was \$5,808 compared to \$4,550 for the previous period. The movement in interest cost and the implied effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate. Additionally, movement of funds between various geographies primarily to service our debt facilities also attract withholding taxes.

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**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 31 December 2018 as "Acquisition related cost". An amount of \$500 has been paid during

the quarter to Mr. Aparup Sengupta with the remaining balance payable in due course.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

Considering recent market conditions and the on-going COVID-19 crisis, the Company has re-evaluated its operating cash flows and liquidity profile and does not foresee any significant incremental risk. We continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. Additionally, we continue to limit discretionary spending across the organization and re-prioritizing our capital projects amid the COVID-19 pandemic.

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

As at September 30, 2020, cash, cash equivalents and restricted cash held by the Company and all its foreign subsidiaries increased by \$23,958 to \$56,585 as compared to \$32,626 on December 31, 2019. The restricted cash balance as at September 30, 2020 stood at \$8,122 as compared to \$12,162 as at December 31, 2019. The restricted cash pertains to debt service reserve account (DSRA) that we have to maintain in accordance with the Senior Term Agreement and also for certain term deposits that need to be maintained in accordance with some of our lease and client agreements. As part of the negotiated amendment and restated facilities agreement, the existing cash balance in the DSRA shall be temporarily released in phases and can be utilized to meet interest payment obligations towards the senior term facilities. The Company will have to restore DSRA by May 2021.

### ***Cash flows from operating activities***

For the nine months ended September 30, 2020 and September 30, 2019 we reported net cash flows generated from operating activities of \$64,297 and \$6,621 respectively. The \$57,676 increase in net cash flows from operating activities was due to a net increase of \$53,452 in cash flows from assets and liabilities, a \$24,921 increase in non-cash reconciling items such as goodwill impairment, deferred tax expense, depreciation and amortization and warrant contra revenue, and a decrease of \$(20,697) in net income. The increase in cash flows from assets and liabilities was driven primarily by sale of certain accounts receivables under a non-recourse factoring arrangement.

### ***Cash flows used in investing activities***

For the nine months ended September 30, 2020, and September 30, 2019 we reported net cash used in investing activities of \$9,712 and \$7,710 respectively. Net cash used in investing activities for both the periods primarily consisted of capital expenditures.

### ***Cash flows generated from financing activities***

For the nine months ended September 30, 2020 and September 30, 2019 we reported net cash flows used in financing activities of \$30,370 and generated from financing activities of \$5,394, respectively. During the nine months ended September 30, 2020 our net borrowings decreased by \$38,749 mainly due to full repayment of asset-backed line of credit facility in the USA from the proceeds of the non-recourse factoring arrangement. Additionally, the Company was also able to lower its working capital and revolver drawdowns. The Company collected \$8,379 from the issuance of common stock out of which \$7,500 was from the issue of common stock to an affiliate of Capital Square Partners, the principal shareholder of the Company.

### ***Debt***

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

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## **CONTRACTUAL OBLIGATIONS**

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

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **VARIABILITY OF OPERATING RESULTS**

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

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**



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

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

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

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

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

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

In the process of evaluation, the management also reviewed the impact of COVID-19 pandemic on the internal control framework. Largely, existing controls operated in all key processes in the same or different form, except for the payroll process in which a few additional compensating controls were implemented. These controls were documented, tested and observed to be effective. Except for the above, there have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2020.

Except as noted in the above paragraphs, there has been no changes in our internal controls over financial reporting during the quarter ended September 30, 2020 that has materially affected or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

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## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDING**

None.

### **ITEM 1A. RISK FACTORS**

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

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

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

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

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

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.

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## ITEM 6. EXHIBITS

## INDEX OF EXHIBITS

| Exhibit No. |   | Incorporated Herein by Reference |         |                |
|-------------|---|----------------------------------|---------|----------------|
|             |   | Exhibit Description              | Exhibit | Filing Date    |
| 10.1        | <a href="#">Letter Agreement between the company and Aparup Sengupta dated July 1, 2020</a>   | Form 8-K                         | 10.1    | July 8, 2020   |
| 10.2        | <a href="#">Amendment Agreement, dated July 9, 2020, by and among CSP Alpha Holding Pte. Ltd., StarTek and DBS Bank LTD, as agent</a>   | Form 8-K                         | 10.1    | July 13,2020   |
| 10.3        | <a href="#">Amended and Restated Facilities Agreement, dated July 9, 2020, between, among others, CSP Alpha Holdings Pte Ltd., as Original Borrower, and DBS Bank Ltd., ING Bank N.V., Singapore Branch and Standard Chartered Bank, as Mandated Lead Arrangers and Bookrunners</a>   | Form 8-K                         | 10.2    | July 13,2020   |
| 10.4        | <a href="#">Amendment Agreement, dated July 30, 2020, by and among CSP Alpha Holdings Pte. Ltd, StarTek, Inc., CSP Alpha Midco Pte. Ltd. and DBS Bank LTD, as agent</a>   | Form 8-K                         | 10.1    | August 5, 2020 |
| 10.5        | <a href="#">Amended and Restated Facilities Agreement, dated July 30, 2020, between, among others, CSP Alpha Holdings Pte Ltd., as Original Borrower, and DBS Bank Ltd., ING Bank N.V., Singapore Branch and Standard Chartered Bank, as Mandated Lead Arrangers and Bookrunners</a>  | Form 8-K                         | 10.2    | August 5, 2020 |
| 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 (iXBRL): (i) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2020 and 2019(Unaudited), (ii) Consolidated Balance Sheets as of September 30, 2020 (Unaudited) and December 31, 2019, (iii) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2020 and 2019 (Unaudited) and (iv) Notes to Consolidated Financial Statements (Unaudited) |                                  |         |                |
| 104         | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)  |                                  |         |                |

\* Filed with this Form 10-Q.

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## 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 9, 2020  
Aparup Sengupta  
Global CEO  
(principal executive officer)

By: /s/ Ramesh Kamath Date: November 9, 2020  
Ramesh Kamath  
Chief Financial Officer  
(principal financial and accounting officer)

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Aparup Sengupta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of StarTek, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Aparup Sengupta  
Aparup Sengupta  
Global CEO

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Ramesh Kamath, certify that:

1. I have reviewed this quarterly report on Form 10-Q of StarTek, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Ramesh Kamath  
Ramesh Kamath  
Chief Financial Officer

CERTIFICATIONS

In connection with the Quarterly Report of StarTek, Inc. on Form 10-Q for the quarterly period ended 30th September 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned individuals, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: November 9, 2020

/s/ Aparup Sengupta  
Aparup Sengupta  
Chief Executive Officer

Date: November 9, 2020

/s/ Ramesh Kamath  
Ramesh Kamath  
Chief Financial Officer

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