

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, 2022
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.)

**4610 South Ulster Street,
Suite 150, Denver, Colorado**
(Address of principal executive offices)

80237
(Zip code)

(303) 262-4500

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	SRT	New York Stock Exchange, Inc.

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

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

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

Large accelerated filer
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, 2022, there were 40,280,725 shares of Common Stock outstanding.

STARTEK, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1.	FINANCIAL STATEMENTS	Page
	Consolidated Statement of Income (Loss) and Other Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)	4
	Consolidated Balance Sheets as of September 30, 2022 (Unaudited) and December 31, 2021	5
	Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2022 and 2021 (Unaudited)	6
	Consolidated Statement of Stockholders' Equity for the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)	7
	Note 1 Overview and Basis of Preparation	8
	Note 2 Summary of Significant Accounting Policies	9
	Note 3 Goodwill and Intangible Assets	12
	Note 4 Revenue	13
	Note 5 Net Income / (Loss) Per Share	15
	Note 6 Impairment Losses and Restructuring / Exit cost	15
	Note 7 Derivative Instruments	16
	Note 8 Fair Value Measurements	17
	Note 9 Debt	18
	Note 10 Share-Based Compensation	20
	Note 11 Accumulated Other Comprehensive Loss	21
	Note 12 Segment Reporting	22
	Note 13 Leases	23
	Note 14 Investment in Equity-Accounted Investees	24
	Note 15 Common Stock	25
	Note 16 Private Offer Transaction Cost	26
	Note 17 Subsequent Events	26
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	33
ITEM 4.	Controls and Procedures	33

PART II - OTHER INFORMATION

ITEM 1.	Legal proceeding	34
ITEM 1A.	Risk Factors	34
ITEM 2.	Unregistered sales of equity securities and use of proceeds	34
ITEM 3.	Defaults upon senior securities	34
ITEM 4.	Mine safety disclosure	34
ITEM 5.	Other Information	34
ITEM 6.	Exhibits	35
SIGNATURES		36

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, 2021 filed with the Securities and Exchange Commission (“SEC”) on March 14, 2022 and this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022. Unless otherwise noted in this report, any description of “us,” “we,” or “our,” refers to Startek, Inc. (“Startek”) and its subsidiaries.

FILING STATUS

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

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

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	163,135	172,948	498,093	525,879
Warrant adjustment	-	(161)	-	(991)
Net revenue	\$ 163,135	\$ 172,787	\$ 498,093	\$ 524,888
Cost of services	(140,018)	(151,264)	(437,192)	(454,124)
Gross profit	\$ 23,117	\$ 21,523	\$ 60,901	\$ 70,764
Selling, general and administrative expenses	(16,523)	(13,099)	(46,147)	(39,568)
Impairment losses and restructuring/exit cost	(998)	(85)	(3,150)	(1,964)
Operating income	\$ 5,596	\$ 8,339	\$ 11,604	\$ 29,232
Share of income (loss) of equity accounted investee	297	(46)	4,122	(1)
Interest expense, net and other income	(2,767)	(2,236)	(5,844)	(18,489)
Foreign exchange gains (losses), net	976	(533)	650	42
Income before tax expense	\$ 4,102	\$ 5,524	\$ 10,532	\$ 10,784
Tax expense	(1,838)	(2,402)	(5,354)	(9,397)
Net income	\$ 2,264	\$ 3,122	\$ 5,178	\$ 1,387
Net income (loss)				
Net income attributable to noncontrolling interests	2,021	3,046	4,311	6,581
Net income (loss) attributable to Startek shareholders	243	76	867	(5,194)
Net income (loss) per common share				
Basic net income (loss) attributable to Startek shareholders	\$ 0.01	\$ 0.00	\$ 0.02	\$ (0.13)
Diluted net income (loss) attributable to Startek shareholders	\$ 0.01	\$ 0.00	\$ 0.02	\$ (0.13)
Weighted average common shares outstanding				
Basic	40,326	40,788	40,316	40,723
Diluted	40,333	41,094	40,354	40,723

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

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 2,264	\$ 3,122	\$ 5,178	\$ 1,387
Net income attributable to non-controlling interests	2,021	3,046	4,311	6,581
Net income (loss) attributable to Startek shareholders	243	76	867	(5,194)
Other comprehensive income (loss), net of taxes				
Foreign currency translation adjustments	(3,701)	(179)	(7,090)	(2,147)
Change in fair value of derivative instruments	-	-	-	8
Pension amortization	143	(669)	(543)	(1,090)
Other comprehensive loss	\$ (3,558)	\$ (848)	\$ (7,633)	\$ (3,229)
Other comprehensive income (loss), net of taxes				
Other comprehensive loss attributable to noncontrolling interest	(23)	(374)	(397)	(443)
Other comprehensive loss attributable to Startek shareholders	(3,535)	(474)	(7,236)	(2,786)
	\$ (3,558)	\$ (848)	\$ (7,633)	\$ (3,229)
Comprehensive income (loss)				
Comprehensive income attributable to noncontrolling interests	1,998	2,672	3,914	6,138
Comprehensive loss attributable to Startek shareholders	(3,292)	(398)	(6,369)	(7,980)
	\$ (1,294)	\$ 2,274	\$ (2,455)	\$ (1,842)

See Notes to Consolidated Financial Statements.



STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(In thousands, except share data)

(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	51,703	47,940
Restricted cash	9,628	7,456
Trade accounts receivables, net	69,955	106,937
Unbilled revenue	76,699	50,074
Prepaid and other current assets	15,714	12,611
Total current assets	\$ 223,699	\$ 225,018
Non-current assets		
Property, plant and equipment, net	28,895	34,168
Operating lease right-of-use assets	44,841	63,012
Intangible assets, net	82,347	90,092
Goodwill	183,397	183,397
Investment in equity-accounted investees	35,810	31,688
Deferred tax assets, net	5,137	3,664
Prepaid expenses and other non-current assets	8,208	11,436
Total non-current assets	\$ 388,635	\$ 417,457
Total assets	\$ 612,334	\$ 642,475
Liabilities and Stockholders' Equity		
Current liabilities		
Trade accounts payables	11,820	11,916
Accrued expenses	51,223	53,203
Short term debt	4,721	3,611
Current maturity of long term debt	22,353	6,241
Current maturity of operating lease liabilities	20,496	24,393
Other current liabilities	42,375	48,265
Total current liabilities	\$ 152,988	\$ 147,629
Non-current liabilities		
Long term debt	142,515	160,175
Operating lease liabilities	28,176	44,263
Other non-current liabilities	20,553	19,562
Deferred tax liabilities, net	17,312	17,526
Total non-current liabilities	\$ 208,556	\$ 241,526
Total liabilities	\$ 361,544	\$ 389,155
Stockholders' equity		
Common stock, 60,000,000 non-convertible shares, \$0.01 par value, authorized; 41,065,522 and 40,893,396 shares issued as of September 30, 2022, and December 31, 2021, respectively	411	409
Additional paid-in capital	293,096	291,537
Accumulated deficit	(83,176)	(84,043)
Treasury stock, 782,902 and 412,769 shares as of September 30, 2022, and December 31, 2021, respectively, at cost	(3,548)	(1,912)
Accumulated other comprehensive loss	(17,923)	(10,687)
Equity attributable to Startek shareholders	\$ 188,860	\$ 195,304
Non-controlling interest	61,930	58,016
Total stockholders' equity	\$ 250,790	\$ 253,320
Total liabilities and stockholders' equity	\$ 612,334	\$ 642,475

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Operating activities		
Net income	\$ 5,178	\$ 1,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,139	20,398
Profit on sale of property, plant and equipment	(221)	(37)
Provision for doubtful accounts	(115)	23
Amortization of debt issuance costs (including loss on extinguishment of debt)	426	11,455
Amortization of call option premium	1,080	360
Warrant contra revenue	-	991
Share-based compensation expense	1,213	932
Deferred income taxes	(2,279)	1,838
Share of (income) loss of equity-accounted investees	(4,122)	1
Changes in operating assets and liabilities:		
Trade accounts receivables	30,534	13,120
Prepaid expenses and other assets	(32,243)	(11,968)
Trade accounts payable	669	(13,409)
Income taxes, net	(337)	(602)
Accrued expenses and other liabilities	(598)	6,543
Net cash provided by operating activities	\$ 21,324	\$ 31,032
Investing activities		
Purchase of property, plant and equipment, net	(10,994)	(13,358)
Investment in equity-accounted investees	-	(25,000)
Payments for call option premium	-	(3,000)
Proceeds from equity-accounted investees	-	102
Net cash used in investing activities	\$ (10,994)	\$ (41,256)
Financing activities		
Proceeds from the issuance of common stock	348	1,434
Proceeds from long term debt (net of debt issuance cost paid to lenders)	-	156,525
Payments of long term debt	-	(117,600)
Payments for loan fees related to long term debt	-	(2,794)
Proceeds from a line of credit, net	1,110	-
Payments of other borrowings, net	(1,784)	(13,145)
Common stock repurchases	(1,636)	(329)
Net cash (used in) / provided by financing activities	\$ (1,962)	\$ 24,091
Net increase in cash and cash equivalents	8,368	13,867
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2,433)	(952)
Cash and cash equivalents and restricted cash at beginning of period	55,396	50,559
Cash and cash equivalents and restricted cash at end of period	\$ 61,331	\$ 63,474
Components of cash and cash equivalents and restricted cash		
Balances with banks	51,703	56,840
Restricted cash	9,628	6,634
Total cash and cash equivalents and restricted cash	\$ 61,331	\$ 63,474
Supplemental disclosure of cash flow information		
Cash paid for interest and other finance cost	7,775	19,985
Cash paid for income taxes	7,699	7,884
Supplemental disclosure of non-cash activities		
Non-cash warrant contra revenue	-	991
Non-cash share-based compensation expenses	1,213	932

See Notes to Consolidated Financial Statements.

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

	Common Stock		Treasury Stock		Other Items of OCI					Equity attributable to Startek shareholders	Non-controlling interest	Total stockholders' equity
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation	Change in fair value of derivative instruments	Unrecognised pension cost			
Three months ended												
Balance at June 30, 2022	40,996,566	\$ 410	692,176	\$ (3,246)	\$ 292,615	\$ (83,419)	\$ (10,205)	\$ -	\$ (4,183)	\$ 191,972	\$ 59,932	\$ 251,904
Issuance of common stock	68,956	1	-	-	101	-	-	-	-	102	-	102
Share-based compensation expenses	-	-	-	-	380	-	-	-	-	380	-	380
Warrant adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	243	-	-	-	243	2,021	2,264
Other comprehensive income (loss)	-	-	-	-	-	-	(3,701)	-	166	(3,535)	(23)	(3,558)
Repurchase of common stock	-	-	90,726	(302)	-	-	-	-	-	(302)	-	(302)
Balance at September 30, 2022	41,065,522	\$ 411	782,902	\$ (3,548)	\$ 293,096	\$ (83,176)	\$ (13,906)	\$ -	\$ (4,017)	\$ 188,860	\$ 61,930	\$ 250,790
Balance at June 30, 2021												
Balance at June 30, 2021	40,796,179	\$ 408	-	\$ -	\$ 291,401	\$ (90,813)	\$ (6,497)	\$ -	\$ (3,101)	\$ 191,398	\$ 54,072	\$ 245,470
Issuance of common stock	63,559	1	-	-	150	-	-	-	-	151	-	151
Share-based compensation expenses	-	-	-	-	341	-	-	-	-	341	-	341
Warrant expense	-	-	-	-	161	-	-	-	-	161	-	161
Net income	-	-	-	-	-	76	-	-	-	76	3,046	3,122
Other comprehensive loss	-	-	-	-	-	-	(179)	-	(295)	(474)	(374)	(848)
Repurchase of common stock	-	-	57,759	(329)	-	-	-	-	-	(329)	-	(329)
Balance at September 30, 2021	40,859,738	\$ 409	57,759	\$ (329)	\$ 292,053	\$ (90,737)	\$ (6,676)	\$ -	\$ (3,396)	\$ 191,324	\$ 56,744	\$ 248,068
Nine months ended												
Balance at December 31, 2021	40,893,396	\$ 409	412,769	\$ (1,912)	\$ 291,537	\$ (84,043)	\$ (6,816)	\$ -	\$ (3,871)	\$ 195,304	\$ 58,016	\$ 253,320
Issuance of common stock	172,126	2	-	-	346	-	-	-	-	348	-	348
Share-based compensation expenses	-	-	-	-	1,213	-	-	-	-	1,213	-	1,213
Warrant adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	867	-	-	-	867	4,311	5,178
Other comprehensive loss	-	-	-	-	-	-	(7,090)	-	(146)	(7,236)	(397)	(7,633)
Repurchase of common stock	-	-	370,133	(1,636)	-	-	-	-	-	(1,636)	-	(1,636)
Balance at September 30, 2022	41,065,522	\$ 411	782,902	\$ (3,548)	\$ 293,096	\$ (83,176)	\$ (13,906)	\$ -	\$ (4,017)	\$ 188,860	\$ 61,930	\$ 250,790
Balance at December 31, 2020												
Balance at December 31, 2020	40,453,462	\$ 405	-	\$ -	\$ 288,700	\$ (85,543)	\$ (4,529)	\$ (8)	\$ (2,749)	\$ 196,276	\$ 50,606	\$ 246,882
Issuance of common stock	406,276	4	-	-	1,430	-	-	-	-	1,434	-	1,434
Share-based compensation expenses	-	-	-	-	932	-	-	-	-	932	-	932
Warrant expense	-	-	-	-	991	-	-	-	-	991	-	991
Net income (loss)	-	-	-	-	-	(5,194)	-	-	-	(5,194)	6,581	1,387
Other comprehensive income (loss)	-	-	-	-	-	-	(2,147)	8	(647)	(2,786)	(443)	(3,229)
Repurchase of common stock	-	-	57,759	(329)	-	-	-	-	-	(329)	-	(329)
Balance at September 30, 2021	40,859,738	\$ 409	57,759	\$ (329)	\$ 292,053	\$ (90,737)	\$ (6,676)	\$ -	\$ (3,396)	\$ 191,324	\$ 56,744	\$ 248,068

As of September 30, 2022 and December 31, 2021, there were 40,282,620 and 40,480,627 shares outstanding respectively of Common Stock, net off treasury stock.

STARTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(In thousands, except share and per share data)
(Unaudited)

1. OVERVIEW AND BASIS OF PREPARATION

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

Business

Startek is a leading global provider of technology-enabled business process management solutions. The Company provides omni-channel customer experience, digital transformation, and technology services to some of the finest brands globally. Startek is committed to impacting clients' business outcomes by focusing on enhancing customer experience and digital enablement across all touchpoints and channels. Startek has more than 44,000 employees spread across 36 delivery campuses in 13 countries. The Company services over 170 clients across various industries such as Banking and Financial Services, Insurance, Technology, Telecom, Healthcare, Travel and Hospitality, Consumer Goods, Retail, Media & Cable, E-commerce and Energy and Utilities.

The Company offers a repository of digital and omnichannel solutions based on decades of experience in driving growth by putting the customer at the center of our business. Because no one solution fits all, we have crafted solution delivery to suit 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 consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. 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 U.S. 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 include the accounts of Startek, Inc and its subsidiaries over which the Company exerts control. When the Company does not have majority ownership in an entity but exerts significant influence over that entity, the Company accounts for the entity under the equity method of accounting. All intercompany balances are eliminated on consolidation. Where our ownership of a subsidiary was less than 100%, the non-controlling interest is reported in our consolidated balance sheet. The non-controlling interest in our consolidated net income is reported as "Net income attributable to non-controlling interests" in our consolidated statement of income (loss).

As of December 31, 2021, the consolidated balance sheet included herein was derived from the audited financial statements as of that date but does not include all disclosures including notes required by U.S. 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, 2021.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, intangibles, impairment of goodwill, valuation allowances for deferred tax assets, leases, provision for doubtful debts and restructuring costs. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable and management has made assumption about the possible effect of the global macroeconomic conditions, including heightened inflation, changes to fiscal and monetary policy, higher interest rates, currency fluctuations, labor shortages & challenges in supply chain, have the potential to negatively impact the Company. There current macroeconomic conditions may continue or aggravate and could cause the United States economy or other global economies to experience an economic slowdown or recession. We anticipate our business and operations could be materially adversely affected by a prolonged recession in the United States or other major global economy. Although these estimates and assumptions are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the Company's consolidated financial statements.

Revenue

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

Leases

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

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

ASC 842 requires an entity to apply the guidance on impairment of long-lived assets in ASC 360 to right-of-use assets. Therefore, right-of-use assets must be monitored for impairment, like other long-lived non-financial assets, regardless of whether the lease is an operating lease or a finance lease. When impairment indicators exist, an asset (asset group) should be tested to determine whether there is an impairment.

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. Refer to Note 13, "Leases" for additional information.

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

Goodwill and Intangible Assets

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

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

Foreign Currency Matters

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

Investment in equity-accounted investees

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

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

In case of Limited Partnerships Investments, there is a specific SEC staff guidance which is included in ASC 323-30-S99-1 which provides that investments in all limited partnerships should be accounted for pursuant to paragraph 970-323-25-6. That guidance requires the use of the equity method unless the investor's interest "is so minor that the limited partner may have virtually no influence over partnership operating and financial policies."

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

The financial statements of the equity accounted investees are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in equity accounted investee is impaired, if there has been other than a temporary decline in carrying value. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of income (loss) of equity accounted investee in the consolidated statement of income (loss)'. Refer to Note 14, "Investment in Equity-Accounted Investees" for additional information and related disclosures.

Stock-Based Compensation

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

Common Stock Warrant Accounting

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

Consolidated Cash Flow Statement

The Company has aligned the cash flow for comparable period for rectifications made in the previous year to presentation of certain transactions arising from the debt re-financing.

In the fourth quarter of 2021, a correction was made to present the payment of an amount of \$8,475 paid and expensed in the income statement, as debt issuance cost, as a reduction from cash flows from financing activities and a corresponding increase in cash flows from operating activities.

The effect of the above reclassifications are an increase in cash flows from operating activities by \$8,475 and a corresponding decline in cash flows from financing activities by \$8,475.

The Company has evaluated and concluded that the above corrections were not qualitatively material on previously filed quarterly consolidated financial statements. The above presentation errors within the consolidated statements of cash flows did not impact net income, comprehensive income, earnings per share, total equity, or the balance sheet and also detailed footnotes related to the transaction have been given in all quarters and in the annual financial statements for the year ended December 31, 2021. Also, these presentation errors did not impact Company's debt covenants, its net debt position, segment reporting and cash and cash equivalents.

Restructuring Charges

On an ongoing basis, management assesses the profitability and utilization of our facilities and in some cases, management has chosen to close facilities. Severance payments that occur from reductions in the workforce are in accordance with our post-employment policy and/or statutory requirements that are communicated to all employees; therefore, severance liabilities are recognized when termination of employment is communicated to the employee(s). Other liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, instead of upon commitment to an exit plan. A significant assumption used in determining the amount of the estimated liability for closing a facility is the estimated liability for future lease payments on vacant facilities. We determine our estimate of sublease payments based on our ability to successfully negotiate early termination agreements with landlords, a third-party broker, or management's assessment of our ability to sublease the facility based upon the market conditions in which the facility is located. If the assumptions regarding early termination and the timing and amounts of sublease payments prove to be inaccurate, we may be required to record additional losses, or conversely, a future gain. Refer to Note 6, "Impairment Losses and Restructuring/Exit cost" for additional information.

Reserves/Contingencies for Litigation and Other Matters

We are involved in few claims and legal actions, such as wage and hour, wrongful termination, and other employment-related claims, that arise in the ordinary course of business, some of which may be covered by insurance. The outcomes of these actions are not predictable, but we do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity, or capital resources. We record an accrual for legal contingencies when we determine that it is probable that we have incurred a liability and we can reasonably estimate the amount of the loss. However, if there is a significant increase in the number of these claims, or if we incur greater liabilities than we currently anticipate under one or more claims, it could materially and adversely affect our business, financial condition, results of operations and cash flows.

Recent Accounting Pronouncements

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

In March 2020, the FASB issued ASU No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This ASU provides temporary optional expedients and exceptions to the guidance in U.S. 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. This amendment shall apply to any term loan obtained by the Company which is linked to LIBOR. The Company is closely monitoring the market and the announcements from the bank managing the transition to new benchmark interest rates for its term loan benchmarked to LIBOR. Based on announcements by bank, the transition will take effect. The Company is not expecting any material financial impact of transition from LIBOR to alternative benchmark rates on its floating rate borrowings linked to LIBOR.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. This update requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This standard is effective for annual periods beginning after December 15, 2021 and should be applied either prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2021-10 within its Form 10-K for the fiscal year 2022.

3. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

Reporting Units:	September 30, 2022	December 31, 2021
Americas	64,315	64,315
India	12,554	12,554
Malaysia	47,543	47,543
Saudi Arabia	54,840	54,840
Australia	4,145	4,145
Total	\$ 183,397	\$ 183,397

We perform a goodwill impairment analysis at least annually (in the fourth quarter of each year) unless indicators of impairment exist in interim periods. The assumptions used in the analysis are based on the Company's internal budget. The Company projects revenue, operating margins, and cash flows for a period of five years and applies a perpetual long-term growth rate using discounted cash flows (DCF) method. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles. These estimates may differ from actual results.

As of September 30, 2022, based on the qualitative assessment, we concluded that there is no impairment of goodwill.

The following table presents the changes in goodwill during the nine months ended September 30, 2022 and year ended December 31, 2021:

	September 30, 2022	December 31, 2021
Opening balance	183,397	183,397
Impairment	-	-
Closing balance	\$ 183,397	\$ 183,397

Intangible Assets

The following table presents our intangible assets:

	As of September 30, 2022			Weighted Average Amortization Period (years)
	Gross Intangibles	Accumulated Amortization	Net Intangibles	
Customer relationships	66,220	26,077	40,143	6.5
Brand	49,500	17,816	31,684	7.1
Trademarks	13,210	3,696	9,514	7.5
Other intangibles	2,130	1,124	1,006	4.9
	\$ 131,060	\$ 48,713	\$ 82,347	

	As of December 31, 2021			Weighted Average Amortization Period (years)
	Gross Intangibles	Accumulated Amortization	Net Intangibles	
Customer relationships	66,220	21,887	44,333	6.5
Brand	49,500	15,074	34,426	7.1
Trademarks	13,210	3,036	10,174	7.5
Other intangibles	2,130	971	1,159	4.9
	\$ 131,060	\$ 40,968	\$ 90,092	

As of September 30, 2022, based on the management assessment, we concluded that there is no impairment on the Company's intangible assets.

Expected future amortization of intangible assets as of September 30, 2022 is as follows:

Year ending December 31,	Amount
Remainder of 2022	2,586
2023	10,306
2024	10,252
2025	10,252
2026	9,490
Thereafter	39,461

4. REVENUE

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

Contracts with Customers

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

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

Performance Obligations

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

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

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

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

Revenue Recognition Methods

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

We are entitled to invoice for our services on a monthly basis. We invoice according to the hourly and/or per-transaction rates stated in each contract for the various activities we perform. Some contracts include opportunities to earn bonuses or include parameters under which we will incur penalties related to performance in any given month. Bonus or penalty amounts are based on the current month's performance. Formulas are included in the contracts for the calculation of any bonus or penalty. There is no other performance in future periods that will impact the bonus or penalty calculation in the current period. We estimate the amount of the bonus or penalty using the "most likely amount" method and we apply this method consistently. The bonus or penalty calculated is generally approved by the client prior to billing (and revenue being recognized). The unbilled revenue, where the right to invoice has not accrued is recognized based on service delivery estimate.

Practical expedients and exemptions

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

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

Disaggregated Revenue

Revenues by our clients' industry verticals for the three and nine months ended September 30, 2022 and 2021 respectively:

Vertical	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Telecom	57,819	56,676	174,565	161,961
E-commerce & Consumer	20,589	22,434	59,966	74,757
Financial & Business Services	18,013	17,161	52,312	48,374
Media & Cable	12,269	22,863	45,139	72,435
Travel & Hospitality	14,228	12,027	41,238	33,066
Healthcare & Education	7,522	15,315	26,348	73,020
Technology, IT & Related Services	4,308	5,125	14,765	15,064
Other verticals	28,387	21,347	83,760	47,202
Gross revenue	163,135	172,948	498,093	525,879
Less: Warrant contra revenue	-	(161)	-	(991)
Net revenue	\$ 163,135	\$ 172,787	\$ 498,093	\$ 524,888

5. NET INCOME / (LOSS) PER SHARE

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

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

For three and nine months ended September 30, 2022 and 2021, the following number of shares were used in the computation of basic and diluted earnings per share calculation (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Shares used in basic earnings per share calculation	40,326	40,788	40,316	40,723
Effect of dilutive securities:				
Stock options	7	306	38	-
Restricted stock/Deferred stock units	-	-	-	-
Total effects of dilutive securities	7	306	38	-
Shares used in dilutive earnings per share calculation	40,333	41,094	40,354	40,723

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Anti-dilutive securities				
Stock options	2	48	-	2,077

6. IMPAIRMENT LOSSES & RESTRUCTURING/EXIT COST

Impairment Loss

As of September 30, 2022, based on the qualitative assessment, we concluded there is no impairment of goodwill.

Restructuring / Exit Cost

The table below summarizes the balance of accrued restructuring cost, voluntary/involuntary termination costs, and other exit-related costs, which are included in other accrued liabilities in our consolidated balance sheet. Changes during the nine months ended September 30, 2022 and the year ended December 31, 2021

	Employee related	Facilities related	Total
Balance on December 31, 2021	480	155	635
Accruals/(reversal)	2,810	340	3,150
Payments	(2,747)	(495)	(3,242)
Balance as of September 30, 2022	\$ 543	\$ -	\$ 543
	Employee related	Facilities related	Total
Balance on December 31, 2020	-	25	25
Accruals/(reversal)	3,519	193	3,712
Payments	(3,039)	(63)	(3,102)
Balance on December 31, 2021	\$ 480	\$ 155	\$ 635

Employee related

In 2022, the Company has closed few of its facilities in Argentina and Philippines, where we have terminated service of number of employees. We have recognized a provision for employee-related costs regarding the above termination. We expect to pay the remaining termination costs of \$543 by the end of the fourth quarter of 2022.

Facility related

In 2022, the Company has recognized provision for the remaining costs associated with the lease that has been surrendered in Argentina. Termination costs relating to the lease have been fully paid during the third quarter of 2022.

7. DERIVATIVE INSTRUMENTS

Cash flow hedges

Our locations in Canada and the Philippines primarily serve US-based clients. The revenues from these clients are billed and collected in US Dollars, but the expenses related to these revenues are paid in Canadian Dollars and Philippine Pesos. We had entered 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 covered periods commensurate with expected exposure, generally three to twelve months. We had elected to designate our derivatives as cash flow hedges to associate the hedges' results with forecasted expenses.

As of September 30, 2022 and 2021, there were no derivative contract in effect.

	Gain (Loss) Recognized in AOCI, net of tax Nine Months Ended September 30, 2022	Gain (Loss) Recognized in AOCI, net of tax Nine Months Ended September 30, 2021	Gain (loss) reclassified from AOCI into Income Nine Months Ended September 30, 2022	Gain (loss) reclassified from AOCI into Income Nine Months Ended September 30, 2021
Cash flow hedges				
Foreign exchange contracts	\$ -	\$ -	\$ -	\$ 8

8. FAIR VALUE MEASUREMENTS

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

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

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

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

Derivative Instruments

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

As of September 30, 2022 and December 31, 2021, there were no derivative assets and liabilities.

9. DEBT

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

	September 30, 2022	December 31, 2021
Short term debt		
Working capital facilities	4,721	3,611
Current portion of long term debt		
Current maturity of term loan	20,625	4,125
Current maturity of equipment loan	1,685	1,682
Current maturity of finance lease obligations	43	434
Total	\$ 27,074	9,852
Long term debt		
Term loan, net of debt issuance costs	142,469	\$ 158,543
Equipment loan	46	1,632
Total	\$ 142,515	\$ 160,175

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 \$32 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 \$4.7 million as of September 30, 2022.

Term loan

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

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

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

Principal payments due on the term loan are as follows:

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

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 2021, the Company incurred debt issuance costs of \$11.3 million in connection with the new term loan. As per ASC 470, accounting guidance on term loan extinguishment, the Company has expensed off the debt issuance cost of \$8.5 million paid to the lenders towards the new term loan and \$2.5 million remaining unamortized debt issuance cost of the old term loan in interest expense, net in the consolidated statement of income (loss). Debt issuance costs paid to the Company's counsel and other third parties of \$2.8 million is being amortized over the period of the new term loan. The balance unamortized portion of such costs as of September 30, 2022, amounted to \$1.9 million which has been netted off against long-term debt on the consolidated balance sheet.

The Term loan is subject to certain covenants, whereby the Company is required to meet certain financial ratios and obligations on a quarterly basis. As of September 30, 2022, the Company was in compliance with all financial covenants.

Following table presents the changes in debt issuance cost during the nine months ended September 30, 2022 and the year ended December 31, 2021:

	September 30, 2022	December 31, 2021
Opening balance	2,332	2,670
Add: Debt issuance cost (refinancing of term loan)	-	11,269
Less: Expensed out (ASC 470 - extinguishment or modification)	-	(10,937)
Less: Amortization of debt issuance cost	(426)	(670)
Closing balance	1,906	2,332

Non-recourse factoring

We have entered into factoring agreements with financial institutions to sell certain of our accounts receivable under non-recourse agreements. Under the arrangement, the Company sells the trade receivables on a non-recourse basis and accounts for the transactions as sales of receivables. The applicable receivables are removed from the Company's consolidated balance sheet when the Company receives the cash proceeds. We do not service any factored accounts after the factoring has occurred. We utilize factoring arrangements as part of our management of working capital. The Company has factored receivables of \$15.8 million and \$21.6 million as of September 30, 2022 and December 31, 2021 under these agreements .

BMO Equipment Loan

On December 27, 2018, the Company executed an agreement to secure a loan against US and Canadian assets for \$2.06 million at the interest of 7.57% per annum, to be repaid over 2.5 years. The loan was funded in January 2019 and fully repaid in May 2022.

Equipment Loan

On November 2, 2020, the Company executed Master Equipment Finance Agreement to finance the purchase of equipment for \$4 million at the interest of 5.27% per annum with a maturity date 34 months after the date of first utilization of equipment loan. The amount outstanding as of September 30, 2022 is \$1.7 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, a warrant (the “Warrant”) to acquire up to 4,000,000 shares of our common stock, subject to certain vesting events. The vesting of the Warrant shares is linked to payments made by Amazon or its affiliates pursuant to a service contract. Since no vesting event occurred in the fiscal year 2021 and we do not anticipate additional vesting in the near future, the Company had not accrued any contra revenue as per ASC 606.

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 nine months ended September 30, 2022, was \$1,213 and is included in selling, general and administrative expense. As of September 30, 2022, there was \$2,730 of total unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.3 years.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following items:

	Foreign Currency Translation Adjustments	Defined Benefit Plan	Equity attributable to Startek shareholders	Non- controlling interests	Total
Balance on December 31, 2021	(6,816)	(3,871)	(10,687)	(3,887)	(14,574)
Foreign currency translation	(7,090)	-	(7,090)	-	(7,090)
Reclassification to operations	-	-	-	-	-
Pension amortization	-	(146)	(146)	(397)	(543)
Balance at September 30, 2022	\$ (13,906)	\$ (4,017)	\$ (17,923)	\$ (4,284)	\$ (22,207)

12. SEGMENT REPORTING

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue				
Americas	39,444	54,743	126,811	203,348
India & Sri Lanka	27,888	29,471	82,112	75,032
Malaysia	11,357	12,721	34,068	41,502
Middle East	59,939	54,829	181,680	143,783
Argentina & Peru	9,269	9,758	26,895	27,060
Rest of World	15,238	11,265	46,527	34,163
Total	\$ 163,135	\$ 172,787	\$ 498,093	\$ 524,888

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating income (loss)				
Americas	(230)	(5,070)	(2,865)	2,194
India & Sri Lanka	1,281	3,621	5,925	4,987
Malaysia	3,173	3,873	7,778	11,701
Middle East	4,793	7,086	11,197	15,836
Argentina & Peru	(614)	557	(3,883)	121
Rest of World	1,207	874	3,800	2,138
Segment operating income	9,610	10,941	21,952	36,977
Startek consolidation adjustments				
Private offer transaction cost	(1,411)	-	(2,603)	-
Intangible amortization	(2,603)	(2,602)	(7,745)	(7,745)
Total operating income	\$ 5,596	\$ 8,339	\$ 11,604	\$ 29,232

A single client accounted for 16% and 19% of the consolidated total net revenue during the three months ended September 30, 2022 and 2021, respectively, and 18% each during the nine months ended September 30, 2022 and 2021.

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

	As of September 30, 2022	As of December 31, 2021
Property, plant and equipment, net		
Americas	10,163	11,335
India & Sri Lanka	9,084	8,712
Malaysia	2,539	2,818
Middle East	3,893	7,461
Argentina & Peru	1,200	1,453
Rest of World	2,016	2,389
Total	\$ 28,895	\$ 34,168

Investment in Equity Accounted Investees

On February 25, 2021, the Company made a \$25 million strategic investment in CSS Corp LP (“an Investment Limited Liability Partnership”), and the Company accounted this investment under the equity accounted investee method of accounting in accordance with ASC 323-30-S99-1. The CODM receives a partnership statement of CSS Corp LP on quarterly basis and evaluates the carrying value of the investment in equity accounted investees. The carrying value of investment as on September 30, 2022 is \$35,810, Refer Note 14 "Investment in equity-accounted investees" for more details.



13. LEASES

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

The components of lease expense were as follows:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating lease cost	\$ 10,995	\$ 6,022	\$ 16,858	\$ 19,310
Finance lease cost				
Amortization of right-of-use assets	237	207	380	546
Interest on lease liabilities	8	13	68	45
Total finance lease cost	\$ 245	\$ 220	\$ 448	\$ 591

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	17,896	19,085
Operating cash flow from finance leases	68	45
Financing cash flows from finance leases	391	387
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	2,501	4,990
Finance leases	-	-

Supplemental balance sheet information related to leases was as follows:

	As of September 30, 2022	As of December 31, 2021
Operating leases		
Operating lease right-of-use assets	\$ 44,841	\$ 63,012
Operating lease liabilities - Current	20,496	24,393
Operating lease liabilities - Non-current	28,176	44,263
Total operating lease liabilities	\$ 48,672	\$ 68,656
Finance Leases		
Property and equipment, at cost	4,112	4,128
Accumulated depreciation	(3,867)	(3,641)
Property and equipment, at net	\$ 245	\$ 487
Finance lease liabilities - Current	43	434
Finance lease liabilities - Non-current	-	-
Total finance lease liabilities	\$ 43	\$ 434
Weighted average remaining lease term	As of September 30, 2022	As of December 31, 2021
Operating leases (in years)	3.14 years	3.58 years
Finance leases (in years)	0.00 years	0.00 years
Weighted average discount rate		
Operating leases	6.9%	6.8%
Finance leases	0.0%	0.0%

The following table reconciles the undiscounted cash flows for the Company's finance and operating leases as of September 30, 2022, to the finance and operating lease liabilities recorded on the Company's balance sheet:

	Operating Leases	Finance Leases
Year ending December 31,		
Remainder of 2022	5,986	43
2023	19,183	-
2024	15,180	-
2025	9,083	-
2026	2,620	-
Thereafter	2,101	-

Total lease payments	54,153	43
Less: Imputed interest	(5,481)	-
Total present value to lease liabilities	\$ 48,672	\$ 43

14. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

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

Name of entity	% of ownership interest		Carrying amount	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
a) CSS Corp LP	61.35%	61.35%	35,810	31,688
b) Immaterial associates			-	-
Carrying amount of investment in equity-accounted investees			35,810	31,688
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Aggregate amounts of the group's share of income (loss) of equity-accounted investees	297	(46)	4,122	(1)

a) CSS Corp LP

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

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

*Subsequently reduced to 61.35%

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

Summarized financial position

	September 30, 2022	December 31, 2021
Current assets	34	42
Non-current assets	58,447	51,690
Current and non-current liabilities	(111)	(80)
Net assets	58,370	51,652
	-	-
Company share in %	61.35%	61.35%
Company share	35,810	31,688
Carrying amount of investment in equity-accounted investee	35,810	31,688

Reconciliation to carrying amounts

	September 30, 2022	December 31, 2021
Opening net assets	31,688	-
Acquired during the year	-	25,000
Share of income of equity-accounted investees	4,122	6,688
Other comprehensive income	-	-
	35,810	31,688

Summarized statement of comprehensive income

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue	-	-	-	-
Cost of services	-	-	-	-
Gross profit	-	-	-	-
Selling, general and administrative expenses	(5)	(9)	(39)	(63)
Operating loss	(5)	(9)	(39)	(63)
Unrealised gain on investment	489	(67)	6,757	72
Net income (loss)	484	(76)	6,718	9
Other comprehensive income	-	-	-	-

Total comprehensive income (loss) for the period	484	(76)	6,718	9
Aggregate amounts of the Company share of income (loss) of equity-accounted investee at 61.35%	297	(46)	4,122	6

b) Individually immaterial associates

The Company had individually immaterial investments in equity-accounted investee in Australia. It has 33.33% interest in Queensland Partnership Group Pty. Ltd and 16.67% interest in Services Queensland Partnership in Australia. The Company's share of income (loss) of equity-accounted investee, is accounted under the "equity method" as per which the share of income (loss) of equity-accounted investee had been added to the cost. In 2021 the Company had realized carrying amounts related to investment in individually immaterial associates.

Aggregate share of loss of immaterial associates was nil and \$7 for three months ended and nine months ended September 30, 2021, respectively.

15. COMMON STOCK**Share Repurchase Plan**

In the year 2004, the Company had announced the "Repurchase plan" that authorized the Company to repurchase up-to \$ 25 million of common stock. The program will remain in effect until the same is terminated by the Board of Director's and will allow the Company to repurchase common stock from time to time on the open market either via block trades or privately negotiated transactions or by other means in accordance with federal securities laws, including Rule 10b5-1 programs or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Repurchases will be implemented by the Chief Financial Officer consistent with the guidelines adopted by the board of directors and will depend on market conditions and other factors. Pursuant to the Board of Directors (BOD) meeting held on August 26, 2021, the Board of Director's approved the Company to carry out a stock repurchase in line with 2004 "Repurchase plan" up-to \$ 2 million. Further in board meeting held on December 14, 2021 the Board of Director's approved additional \$2 million towards a stock repurchase plan.

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

During the nine months ended September 30, 2022, we repurchased an aggregate of 370,133 shares of our common stock under our repurchase plan at an average cost of \$4.4 per share.

Stock repurchase activity during the nine months ended September 30, 2022 was as follows:

Period Ended	Total number of shares purchased	Average price paid per share (1) (\$)	Total number of shares purchased as part of publicly announced program	Maximum dollar value that may yet to be purchased under program (\$)
January 31, 2022	130,803	5.08	130,803	1,432,822
February 28, 2022	75,865	4.90	75,865	1,061,426
March 31, 2022	52,739	4.36	52,739	831,229
April 30, 2022	-	-	-	831,229
May 31, 2022	20,000	3.15	20,000	768,156
June 30, 2022	-	-	-	768,156
July 31, 2022	-	-	-	768,156
August 30, 2022	-	-	-	768,156
September 30, 2022	90,726	3.31	90,726	468,158
Total	370,133		370,133	

1. Excludes broker commission.

16. PRIVATE OFFER TRANSACTION COST

On January 17, 2022, the Company announced that the board of directors has formed a special committee of independent directors that is authorized, among other things, to evaluate the non-binding proposal, dated December 20, 2021, by CSP Management Limited (“CSP”) to acquire all outstanding shares of common stock of Startek that it does not already beneficially own for \$5.40 in cash per share. On August 8, 2022, CSP issued a revised non-binding proposal to acquire all the shares of Startek for \$4.65 per share in cash. The special committee has engaged legal and financial advisors to assist in its consideration of the proposal. The special committee has appointed Foros Securities LLC as a financial advisor in connection with private offer and the Company incurred total expenses of \$1,411 and \$2,603 during the three months and nine months ended September 30, 2022 which is included in selling, general and administrative expenses.

The committee had analyzed various factors such as forecast submitted by the Company, trading history of Startek stock, macroeconomic environment, etc. and determined that the proposed price at \$4.65 is inadequate and not in the best interests of the shareholders of Startek. Further, on September 9, 2022, the special committee of its Board of Directors rejected the non-binding proposal by CSP. Since then, CSP has formally withdrawn their proposal and the special committee has been dissolved.

17. SUBSEQUENT EVENTS.

None.

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

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2021 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, 2021. All dollar amounts are presented in thousands other than per share data.

BUSINESS DESCRIPTION AND OVERVIEW

Startek is a leading global provider of technology-enabled business process management solutions. The Company provides Omni-channel customer experience, digital transformation, and technology services to some of the finest brands globally. Startek is committed to impacting clients’ business outcomes by focusing on enhancing customer experience and digital enablement across all touchpoints and channels. Startek has more than 44,000 employees located across 36 delivery campuses in 13 countries. The Company services over 170 clients across a range of industries such as Banking and Financial Services, insurance, technology, telecom, healthcare, travel and hospitality, consumer goods, retail, media & cable, E-commerce and energy and utilities.

SIGNIFICANT DEVELOPMENTS

None.

RESULTS OF OPERATIONS — THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**Revenue**

Our gross revenues for the three months ended September 30, 2022 decreased by 5.7% to \$163,135 as compared to \$172,948 for the three months ended September 30, 2021.

Our net revenue for the quarter ended September 30, 2022 and 2021:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021
Revenues	163,135	172,948
Warrant contra revenue	-	(161)
Net revenue	\$ 163,135	\$ 172,787

Our net revenues adjusted for warrant contra revenue for the three months ended September 30, 2022 decreased to \$163,135 compared to \$172,787 for the three months ended September 30, 2021.

The breakdown of our net revenues from various segments for the three months ended September 30, 2022 and 2021 is as follows:

	Three Months Ended September 30,	
	2022	2021
Americas	39,444	54,743
India & Sri Lanka	27,888	29,471
Malaysia	11,357	12,721
Middle East	59,939	54,829
Argentina & Peru	9,269	9,758
Rest of World	15,238	11,265
Total	163,135	172,787

The decline in revenue in the Americas region is primarily due to the termination of operations with one of our clients in the media vertical that insourced its operations over the last two quarters. Revenue in the current period was also impacted as some of our clients offshored operations to our nearshore centers to lower cost of operations. We continue to see higher volumes with clients in the telecom and retail verticals.

Revenue decrease in India and Sri Lanka region was due to strengthening of US Dollar against Indian Rupee. We saw an increase in year-on-year revenue in constant currency terms.

Revenue in Malaysia saw a decline due to the termination of the contract with the e-commerce client that happened at the end of fiscal 2021. We continue to grow operations across clients delivered out of Malaysia. Our operations with travel client delivered out of Malaysia continues to see strong revival in demand as many countries in the Asia pacific region are relaxing travel restrictions.

Our operation in the Middle East continues to deliver strong revenue growth at the back of scaling up of new clients won during the last year and the current year.

Our revenue in the Rest of World was higher due to continuous ramp-ups with our clients in South Africa and Australia.

The breakdown of our net revenues from various industry verticals for three months ended September 30, 2022 and 2021 is as follows:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021
Verticals:				
Telecom	57,819	56,676	35%	33%
E-commerce & Consumer	20,589	22,434	13%	13%
Financial & Business Services	18,013	17,161	11%	10%
Media & Cable	12,269	22,863	8%	13%
Travel & Hospitality	14,228	12,027	9%	7%
Healthcare & Education	7,522	15,315	5%	9%
Technology, IT & Related Services	4,308	5,125	3%	3%
Other verticals	28,387	21,347	17%	12%
Gross revenue	163,135	172,948		
Less: Warrant contra revenue	-	(161)		
Net revenue	163,135	172,787		

Growth in telecom vertical was driven by continuing ramps with our existing telecom clients across US and South Africa.

The Financial & Business services vertical continues to perform strongly as we strengthen our partnership with key clients in these verticals.

We continue to see year-on-year and sequential improvement in volume in the travel and hospitality sector as activity in these verticals trend to normalize to pre-COVID levels.

Decline in revenues from the Media vertical was led by change in strategy with a key client who insourced part of their CX activities earlier this year.

A contract was terminated in 2021 by one of our clients from the e-commerce vertical which led to year-on-year decline in revenues from this vertical. We continue to expand our wallet share within our other clients in this vertical as we deploy customized solutions to them.

Decline in revenue in the Healthcare & Education is primarily due to one-off COVID vaccination support program that the Company delivered in the previous period.

Others include contracts with public sector enterprises and government entities where we have seen an increase in revenues from existing and new contracts.

Cost of services and gross profit

Overall, the cost of services as a percentage of revenue decreased to 85.8% for the three months ended September 30, 2022 compared to 87.5% for the three months ended September 30, 2021. Employee expenses, rent costs, and depreciation and amortization are the most significant costs for the Company, representing 75.5%, 3.9%, and 4.8% of the total cost of services, respectively. The breakdown of the cost of services is listed in the table below:

	Three Months Ended September 30,	
	2022	2021
Employee benefit expenses	105,696	114,468
Rent expense	5,416	7,074
Depreciation and amortization	6,669	6,394
Other	22,237	23,328
Total	\$ 140,018	\$ 151,264

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

Employee expenses as a percentage of revenues decreased to 64.8% for the current period as compared to 66.2% for the previous period. This decrease was primarily driven by change in geography mix with higher revenues accruing from offshore and near shore delivery that have higher margins.

Rent expense: Rent expense as a percentage of revenue decreased to 3.3% for the current period as compared to 4.1% for the previous period. The decrease is driven by rationalization of brick-and-mortar sites across geographies as operations moved to our work from home model.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the current period marginally increased at 4.1% as compared to 3.7% for the previous period. The increase was due to a lower revenue base in the current period relative to the previous period.

Other expenses include recruitment, technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs increased marginally to 13.6% from 13.5%. The decline in absolute amount reflects cost optimization efforts taken across cost categories the savings from which was deployed in higher travel costs as we revert back to in-person client meetings and site visits.

As a result, gross profit as a percentage of revenue for the current period increased to 14.2% as compared to 12.5% for the previous period.

	Three Months Ended September 30,	
	2022	2021
Gross revenue	163,135	172,948
Warrant contra revenue	-	(161)
Net revenue	163,135	172,787
Cost of services	140,018	151,264
Gross profit	\$ 23,117	\$ 21,523
Gross margin	14.2%	12.5%

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue increased from 7.6% in the previous period to 10.1% in the current period. The increase in SG&A expenses was driven by investments made by the Company in its sales, marketing, and digital efforts. The SG&A costs for the current period include \$1,411 incurred towards the take private transaction.

Impairment losses and restructuring/exit cost, net

Impairment losses and restructuring costs, net totaled \$998 for the current period as compared to \$85 for the previous period. The restructuring cost during the quarter include \$960 towards the restructuring exercise underway in Argentina.

Interest expense, net, and other income

Interest expense, net, and other income totaled \$2,767 for the current period as compared to \$2,236 for the previous period. The increase in interest expense was due to an increase in global rates and yields.

Income tax expense

Income tax expense for the current period was \$1,838 compared to \$2,402 for the previous period. The movement in the effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate coupled with utilization of net operating losses for entities having taxable profit and valuation allowance as per the requirement of ASC 740. Additionally, the movement of funds between various geographies primarily to service our debt facilities also attracts withholding taxes.

RESULTS OF OPERATIONS — NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021***Revenue***

Our gross revenues for the nine months ended September 30, 2022 decreased by 5.3% to \$498,093 as compared to \$525,879 for the nine months ended September 30, 2021.

Our net revenue for the nine months ended September 30, 2022 and 2021:

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Revenues	498,093	525,879
Warrant contra revenue	-	(991)
Net revenue	\$ 498,093	\$ 524,888

Our net revenues adjusted for warrant contra revenue for the nine months ended September 30, 2022 decreased to \$498,093 compared to \$524,888 for the nine months ended September 30, 2021.

The breakdown of our net revenues from various segments for the nine months ended September 30, 2022 and 2021 is as follows:

	Nine Months Ended September 30,	
	2022	2021
Americas	126,811	203,348
India & Sri Lanka	82,112	75,032
Malaysia	34,068	41,502
Middle East	181,680	143,783
Argentina & Peru	26,895	27,060
Rest of World	46,527	34,163
Total	498,093	524,888

The decline in revenue in the Americas region is primarily due to high base impact in the previous year. Revenue in the previous period included short term government program relating to COVID vaccination that did not continue in the current year. The revenue decline was also driven by the termination of operations with one of our e-commerce clients and insourcing of operations by a client in the media vertical. This decline is partly offset by an increase in revenues from other clients primarily in the telecom and retail verticals.

Revenue growth in India and Sri Lanka region was driven by continuing ramp-up in operations with some of the largest digital native clients in this region. Our international operations delivered out of India also grew during the current period. Revenue in the current period was also negatively impacted due to appreciation of US Dollar relative to Indian Rupee.

Revenue in Malaysia saw a decline due to the termination of the contract with the e-commerce client at the end of the last fiscal year. Our operations with travel client delivered out of Malaysia saw a strong revival in demand.

Our operation in the Middle East saw continuity of government programs that was won during the Pandemic. The Company also secured new clients which continue to ramp up in the current year.

Our revenue in the Rest of World was higher due to ramp-ups with our clients in South Africa and Australia.

The breakdown of our net revenues from various industry verticals for nine months ended September 30, 2022 and 2021 is as follows:

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Verticals:				
Telecom	174,565	161,961	35%	31%
E-commerce & Consumer	59,966	74,757	12%	14%
Financial & Business Services	52,312	48,374	11%	9%
Media & Cable	45,139	72,435	9%	14%
Travel & Hospitality	41,238	33,066	8%	6%
Healthcare & Education	26,348	73,020	5%	14%
Technology, IT & Related Services	14,765	15,064	3%	3%
Other verticals	83,760	47,202	17%	9%
Gross revenue	498,093	525,879		
Less: Warrant contra revenue	-	(991)		
Net revenue	498,093	524,888		

Growth in telecom vertical was driven by continuing ramp with our existing telecom clients across US and South Africa.

The Financial & Business services vertical continues to perform strongly as we strengthen our partnership with key clients in these verticals.

We continue to see year-on-year and sequential improvement in volume in the travel and hospitality sector as activity in these verticals trend to normalize to pre-COVID levels.

The decline in revenues from the Media vertical was led by change in strategy with a key client who insourced part of their CX activities earlier this year.

A contract was terminated in 2021 by one of our clients from the e-commerce vertical which led to year-on-year decline in revenues from this vertical. The decline in revenue was partially offset by new wins and expansion with our other clients in the e-commerce vertical.

Decline in revenue in the Healthcare & Education is primarily due to one-off COVID vaccination support program that the Company delivered in the previous period.

Others include contracts with public sector enterprises and government entities where we have seen an increase in revenues from existing and new contracts.

Cost of services and gross profit

Overall, the cost of services as a percentage of revenue increased to 87.8% for the nine months ended September 30, 2022 compared to 86.5% for the nine months ended September 30, 2021. Employee expenses, rent costs, and depreciation and amortization are the most significant costs for the Company, representing 75.1%, 3.8%, and 4.5% of the total cost of services, respectively.

The breakdown of the cost of services is listed in the table below:

	Nine Months Ended September 30,	
	2022	2021
Employee Benefit Expenses	\$ 328,418	\$ 345,349
Rent expense	16,748	22,031
Depreciation and amortization	19,460	18,709
Other	72,566	68,035
Total	\$ 437,192	\$ 454,124

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

Employee expenses as a percentage of revenues increased to 65.9% for the current period as compared to 65.8% for the previous period. This increase was primarily driven by inflation-led wage increases implemented in the fourth quarter of 2021 and first quarter of 2022. The increase in costs was partially offset due to change in delivery mix with an increase in nearshore and offshore delivery.

Rent expense: Rent expense as a percentage of revenue decreased to 3.4% for the current period as compared to 4.2% for the previous period. The decline was driven by rationalization of some brick-and-mortar facilities across geographies as operations moved to our work from home model.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the current period marginally increased at 3.9% as compared to 3.6% for the previous period. The increase was due to a lower revenue base in the current period relative to the previous period.

Other expenses include recruitment, technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs increased to 14.6% from 13.0%. This increase is majorly on account of increase in outsourcing cost for the current period, which includes certain cost for delivery of technology services to one of our clients in the Middle East.

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

	Nine Months Ended September 30,	
	2022	2021
Gross revenue	498,093	525,879
Warrant contra revenue	-	(991)
Net revenue	498,093	524,888
Cost of services	437,192	454,124
Gross profit	\$ 60,901	\$ 70,764
Gross margin	12.2%	13.5%

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue increased from 7.5% in the previous period to 9.3% in the current period. The increase was due to the investments made by the Company to strengthen sales, marketing, and digital verticals. The company also increased investments in upgrading our technology infrastructure, particularly related to security and cybersecurity aspects. The SG&A costs for the current period include \$2,603 incurred towards the take private transaction.

Impairment losses and restructuring/exit cost, net

Impairment losses and restructuring costs, net totaled \$3,150 for the current period as compared to \$1,964 for the previous period. The restructuring cost during the nine months include \$3,010 towards the restructuring exercise underway in Argentina.

Interest expense, net, and other income

Interest expense, net, and other income totaled \$5,844 for the current period as compared to \$18,489 for the previous period. The expense for the previous period included \$11,269 towards the refinancing of debt undertaken in February 2021. Adjusting for the cost of refinancing, the interest expense increased year-on-year due to an increase in global rates and yields.

Income tax expense

Income tax expense for the current period was \$5,354 compared to \$9,397 for the previous period. The movement in the effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate coupled with utilization of net operating losses for entities having taxable profit and valuation allowance as per the requirement of ASC 740. Additionally, the movement of funds between various geographies primarily to service our debt facilities also attracts withholding taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows generated by operating activities, our working capital facilities, and term debt. We have historically utilized these resources to finance our operations and make capital expenditures associated with capacity expansion, upgrades of information technologies and service offerings, and business acquisitions. Due to the timing of our collections of receivables due from our major customers, we have historically needed to draw on our working capital facilities periodically for ongoing working capital needs. We have also entered into factoring agreements with financial institutions to sell certain of our accounts receivables under non-recourse agreement. The Company expects to meet all its debt obligations including compliance with all financial covenants in a timely manner.

Cash and cash equivalents and restricted cash

As of September 30, 2022, cash, cash equivalents, and restricted cash held by the Company and all its foreign subsidiaries increased by \$5,935 to \$61,331 compared to \$55,396 as of December 31, 2021. The restricted cash balance as of September 30, 2022 stood at \$9,628 as compared to \$7,456 as of December 31, 2021. The restricted cash pertains to the debt service reserve account (DSRA) that we have to maintain according to the Senior Term Agreement and for certain term deposits that need to be maintained in accordance with some of our lease and client agreements.

Cash flows from operating activities

For the nine months ended September 30, 2022 and 2021 we reported net cash provided by operating activities of \$21,324 and \$31,032, respectively. The decrease in net cash flows from operating activities was driven by decrease in non-cash reconciling items such as deferred tax expense, depreciation and amortization and warrant contra revenue of \$17,840. This was partially offset by a net decrease of \$4,341 in net working capital requirements and increase of \$3,791 in net income.

Cash flows used in investing activities

For the nine months ended September 30, 2022, and 2021, we reported net cash used in investing activities of \$(10,994) and \$(41,256) respectively. Net cash used in investing activities for current periods primarily towards capital expenditure while the amount for the previous period includes \$25,000 towards the investment in CSS Corp and \$3,000 towards payment of call option premium.

Cash flows from financing activities

For the nine months ended September 30, 2022 and 2021 we reported net cash flows (used in) and provided by financing activities of \$(1,962) and \$24,091, respectively. During the nine months ended September 30, 2021 our net borrowings increased mainly due to refinancing of senior term debt completed during the period. During the nine months ended September 30, 2022, the Company repurchased an aggregate of 370,133 shares amounting to \$1,636.

Debt

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

CONTRACTUAL OBLIGATIONS

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

OFF-BALANCE SHEET ARRANGEMENTS

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

VARIABILITY OF OPERATING RESULTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures:

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2022.

Changes in Internal Control over Financial Reporting:

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION**ITEM 1. LEGAL PROCEEDING**

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

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

In the year 2004, the Company had announced the "Repurchase plan" that authorized the Company to repurchase up-to \$25 million of common stock. The program will remain in effect until the same is terminated by the Board of Directors and will allow the Company to repurchase common stock from time to time on the open market either via block trades or privately negotiated transactions or by other means in accordance with federal securities laws, including Rule 10b5-1 programs or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Repurchases will be implemented by the Chief Financial Officer (CFO) consistent with the guidelines adopted by the Board of Directors and will depend on market conditions and other factors. Pursuant to the Board of Directors meeting held on August 26, 2021, the Board restricted the CFO from exceeding \$2 million of repurchases with any purchases more than \$2 million requiring Board review. Further in board meeting held on December 14, 2021 the Board of Director's approved additional \$2 million towards a stock repurchase plan.

During the nine months ended September 30, 2022, we repurchased an aggregate of 370,133 shares of our common stock under our repurchase plan at an average cost of \$4.4 per share.

Stock repurchase activity during the nine months ended September 30, 2022 was as follows:

Period Ended	Total number of shares purchased	Average price paid per share (1) (\$)	Total number of shares purchased as part of publicly announced program	Maximum dollar value that may yet to be purchased under program (\$)
January 31, 2022	130,803	5.08	130,803	1,432,822
February 28, 2022	75,865	4.90	75,865	1,061,426
March 31, 2022	52,739	4.36	52,739	831,229
April 30, 2022	-	-	-	831,229
May 31, 2022	20,000	3.15	20,000	768,156
June 30, 2022	-	-	-	768,156
July 31, 2022	-	-	-	768,156
August 30, 2022	-	-	-	768,156
September 30, 2022	90,726	3.31	90,726	468,158
Total	370,133		370,133	

(1) Excludes broker commission

Additional information regarding the Company's repurchases of common stock during the nine months ended September 30, 2022 is set forth in Note 15 to the accompanying consolidated financial statements which is incorporated by reference into this Item 2.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS**INDEX OF EXHIBITS**

Exhibit No.		Incorporated Herein by Reference		
		Exhibit Description	Exhibit	Filing Date
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Written Statement of the Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101*	The following materials are formatted in Extensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited), (ii) Consolidated Balance Sheets as of September 30, 2022 (Unaudited) and December 31, 2021, (iii) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2022 and 2021 (Unaudited) and (iv) Notes to Consolidated Financial Statements (Unaudited)			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed with this Form 10-Q.

SIGNATURES

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

STARTEK, INC.

By: /s/ Bharat Rao Date: November 8, 2022
Bharat Rao
Chief Executive Officer

By: /s/ Nishit Shah Date: November 8, 2022
Nishit Shah
Chief Financial Officer

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Bharat Rao, 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 8, 2022

/s/ Bharat Rao
Bharat Rao
CEO

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Nishit Shah, 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 8, 2022

/s/ Nishit Shah
Nishit Shah
Chief Financial Officer

CERTIFICATIONS

In connection with the Quarterly Report of Startek, Inc. on Form 10-Q for the quarterly period ended September 30, 2022 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 8, 2022

/s/ Bharat Rao
Bharat Rao
Chief Executive Officer

Date: November 8, 2022

/s/ Nishit Shah
Nishit Shah
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.