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, 2019
or

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

For the transition period from to

Commission file number 1-12793

StarTek, Inc.

(Exact name of registrant as specified in its charter)

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

(303) 262-4500
(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of October 31, 2019, there were 38,483,025 shares of Common Stock outstanding.

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

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

Table of Contents

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-KT for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC") on March 14, 2019, the Quarterly report on Form 10-Q for the quarter ended March 31, 2019, June 30, 2019, and this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019. Unless otherwise noted in this report, any description of "us," "we," or "our," refers to StarTek, Inc. ("Startek") and its subsidiaries.

CHANGE IN FILING STATUS

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

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	164,630	151,509	487,054	376,827
Warrant contra revenue	-	-	(730)	-
Net Revenue	164,630	151,509	486,324	376,827
Cost of services	(136,142)	(128,747)	(403,064)	(316,025)
Gross profit	28,488	22,762	83,260	60,802
Selling, general and administrative expenses	(22,926)	(22,818)	(71,938)	(52,480)
Restructuring and other acquisition related cost	(220)	(6,519)	(2,058)	(12,776)
Operating income/ (loss)	5,342	(6,575)	9,264	(4,454)
Share of profit / (loss) of associates	(16)	47	988	86
Interest expense, net	(3,372)	(4,114)	(11,864)	(11,518)
Exchange gain / (loss), net	(1,880)	705	(2,558)	(2,441)
Profit/(Loss) before income taxes	74	(9,937)	(4,170)	(18,327)
Income tax expense	3,436	953	4,550	1,519
Net loss	(3,362)	(10,890)	(8,720)	(19,846)
Net income/(loss) attributable to non-controlling interests	(575)	11	1,007	916
Net loss attributable to Startek shareholders	(2,787)	(10,901)	(9,727)	(20,762)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(1,899)	(2,049)	(1,299)	(5,528)
Change in fair value of derivative instruments	(298)	(562)	50	(562)
Pension amortization	(9)	(483)	(70)	(1,263)
Comprehensive loss	(5,568)	(13,984)	(10,039)	(27,199)
Comprehensive income (loss) attributable to non-controlling interests	(594)	(251)	962	297
Comprehensive loss attributable to Startek shareholders	(4,974)	(13,733)	(11,001)	(27,496)
Net loss per common share - basic and diluted	(0.07)	(0.32)	(0.26)	(0.76)
Weighted average common shares outstanding - basic and diluted	38,467	33,812	38,011	27,289

See Notes to Consolidated Financial Statements.

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

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	17,795	16,617
Restricted cash	10,582	7,952
Trade accounts receivable, net	105,574	107,836
Unbilled Revenue	42,814	42,135
Prepaid and other current assets	15,082	18,850
Total current assets	191,847	193,390
Property, plant and equipment, net	35,745	42,242
Operating lease Right-of-use assets	66,647	-
Intangible assets, net	113,410	121,336
Goodwill	226,513	225,450
Investment in associates	1,739	2,097
Deferred tax assets, net	5,052	5,048
Prepaid expenses and other non-current assets	18,761	15,076
Total assets	659,714	604,639
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	20,965	26,886
Accrued expenses and other current liabilities	79,805	84,881
Short term debt	25,213	21,975
Current maturity of long term debt	16,900	9,800
Current maturity of operating lease liabilities	19,838	-
Current maturity of finance lease obligations	658	1,816
Total current liabilities	163,379	145,358
Long term debt	141,632	152,100
Operating lease liabilities	47,782	-
Other non-current liabilities	12,581	11,907

Deferred tax liabilities, net	19,562	18,901
Total liabilities	384,936	328,266
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, 60,000,000 non-convertible shares, $0.01 par value, authorized; 38,483,025 and 37,446,323 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	385	374
Additional paid-in capital	275,750	267,317
Accumulated other comprehensive loss	(6,821)	(5,547)
Accumulated deficit	(40,854)	(31,127)
Equity attributable to Startek shareholders	228,460	231,017
Non-controlling interest	46,318	45,356
Total stockholders' equity	274,778	276,373
Total liabilities and stockholders' equity	659,714	604,639

See Notes to Consolidated Financial Statements.

Table of Contents

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

	Nine Months Ended September 30,	
	2019	**2018**
Operating Activities		
Net loss	$ (8,720)	$ (19,846)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	22,056	18,668
Profit on sale of property, plant and equipment	(223)	-
Provision for doubtful accounts	1,238	2,100
Warrant contra revenue	730	-
Share-based compensation expense	1,151	249
Deferred income taxes	209	(1,284)
Share of profit of associates	(988)	(86)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,529)	3,406
Prepaid expenses and other assets	(950)	5,864
Trade accounts payable	(5,236)	796
Income taxes, net	(2,267)	(5,494)
Accrued expenses and other current liabilities	1,150	(158)
Net cash provided by operating activities	**$ 6,621**	**$ 4,215**
Investing Activities		
Purchases of property, plant and equipment	(9,027)	(7,430)
Cash and cash equivalents acquired on reverse acquisition	-	1,496
Distributions received from associates	1,317	22
Net cash used in investing activities	**$ (7,710)**	**$ (5,912)**
Financing Activities		
Proceeds from the issuance of common stock	6,563	115
Payments on long term debt	(7,000)	(2,800)
Proceeds from (payments on) other debt, net	5,831	4,577
Net cash provided by financing activities	**$ 5,394**	**$ 1,892**
Net increase (decrease) in cash and cash equivalents	**4,305**	**195**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(497)	(1,271)
Cash and cash equivalents and restricted cash at beginning of period	24,569	21,601
Cash and cash equivalents and restricted cash at end of period	**$ 28,377**	**$ 20,525**
Components of cash and cash equivalents and restricted cash		
Balances with banks	17,795	14,133
Restricted cash	10,582	6,392
Total cash and cash equivalents and restricted cash	**$ 28,377**	**$ 20,525**

See Notes to Consolidated Financial Statements.

Table of Contents

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

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Equity attributable to Startek shareholders	Non-controlling interest	Total stockholders' equity
Three months ended								
Balance at June 30, 2019	**38,452,111**	**$ 384**	**$ 275,284**	**$ (4,634)**	**$ (38,067)**	**$ 232,967**	**$ 46,912**	**$ 279,879**
Issuance of common stock	30,914	1	96	-	-	97	-	97
Share-based compensation expenses	-	-	370	-	-	370	-	370
Warrant expenses	-	-	-	-	-	-	-	-
Net income (loss)	-	-	-	-	(2,787)	(2,787)	(575)	(3,362)
Other comprehensive loss for the period	-	-	-	(2,187)	-	(2,187)	(19)	(2,206)
Balance at September 30, 2019	**38,483,025**	**$ 385**	**$ 275,750**	**$ (6,821)**	**$ (40,854)**	**$ 228,460**	**$ 46,318**	**$ 274,778**
Balance at June 30, 2018	**20,600,100**	**$ 206**	**$ 153,704**	**$ (3,185)**	**$ (10,524)**	**$ 140,201**	**$ 47,167**	**$ 187,368**
Purchase accounting entries due to the Aegis Transactions	16,226,392	$ 162	$ 142,119	$ -	$ -	$ 142,281	$ -	$ 142,281
Issuance of common stock	234,066	3	113	-	-	116	-	116
Share-based compensation expenses	-	-	249	-	-	249	-	249
Net income (loss)	-	-	-	-	(10,901)	(10,901)	11	(10,890)
Other comprehensive loss for the period	-	-	-	(2,832)	-	(2,832)	(262)	(3,094)
Balance at September 30, 2018	**37,060,558**	**$ 371**	**$ 296,185**	**$ (6,017)**	**$ (21,425)**	**$ 269,114**	**$ 46,916**	**$ 316,030**
Nine months ended								
Balance at December 31, 2018	**37,446,323**	**$ 374**	**$ 267,317**	**$ (5,547)**	**$ (31,127)**	**$ 231,017**	**$ 45,356**	**$ 276,373**
Issuance of common stock	1,036,702	11	6,552	-	-	6,563	-	6,563
Share-based compensation expenses	-	-	1,151	-	-	1,151	-	1,151
Warrant expenses	-	-	730	-	-	730	-	730
Net income (loss)	-	-	-	-	(9,727)	(9,727)	1,007	(8,720)
Other comprehensive loss for the period	-	-	-	(1,274)	-	(1,274)	(45)	(1,319)
Balance at September 30, 2019	**38,483,025**	**$ 385**	**$ 275,750**	**$ (6,821)**	**$ (40,854)**	**$ 228,460**	**$ 46,318**	**$ 274,778**
Balance at December 31, 2017	**20,600,100**	**$ 206**	**$ 153,704**	**$ 717**	**$ (663)**	**$ 153,964**	**$ 46,619**	**$ 200,583**
Purchase accounting entries due to the Aegis Transactions	16,226,392	$ 162	$ 142,119	$ -	$ -	$ 142,281	$ -	$ 142,281
Issuance of common stock	234,066	3	113	-	-	116	-	116
Share-based compensation expenses	-	-	249	-	-	249	-	249
Net income (loss)	-	-	-	-	(20,762)	(20,762)	916	(19,846)
Other comprehensive loss for the period	-	-	-	(6,734)	-	(6,734)	(619)	(7,353)
Balance at September 30, 2018	**37,060,558**	**$ 371**	**$ 296,185**	**$ (6,017)**	**$ (21,425)**	**$ 269,114**	**$ 46,916**	**$ 316,030**

STARTEK, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(In thousands, except share and per share data)
(Unaudited)

1. OVERVIEW AND BASIS OF PREPARATION

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

Business

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

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

We operate in a single operating segment providing business outsourcing solutions in the customer experience management space.

On July 20, 2018, Company completed the acquisition of all of the issued and outstanding shares of capital stock of CSP Alpha Midco Pte Ltd, a Singapore private limited company ("Aegis"), from CSP Alpha Holdings Parent Pte Ltd, a Singapore private limited company (the "Aegis Stockholder"), in exchange for the issuance of 20,600,000 shares of common stock of the Company, par value $.01 per share (the "Common Stock"). Concurrently, the Aegis Stockholder purchased 166,667 newly issued shares of Common Stock at a price of $12 per share for a total cash payment of $2,000. As a result of the consummation of such transactions (the "Aegis Transactions"), the Aegis Stockholder became the holder of 20,766,667 shares of Common Stock, representing approximately 55% of the outstanding Common Stock. For accounting purposes, the Aegis Transactions are treated as a reverse acquisition and Aegis is considered the accounting acquirer. Accordingly, Aegis' historical financial statements replace the Company's historical financial statements following the completion of the Aegis Transactions, and the results of operations of both companies will be included in the Company's financial statements for all periods following the completion of the Aegis Transactions. The historical financial information presented for the periods and dates prior to July 20, 2018 is that of Aegis, and for periods subsequent to July 20, 2018 is that of the combined company

In addition, on July 20, 2018, in connection with the consummation of the Aegis Transactions, the Company and the Aegis Stockholder entered into a Stockholders Agreement, pursuant to which the Company and the Aegis Stockholder agreed to, among other things: (i) certain rights, duties and obligations of the Aegis Stockholder and the Company as a result of the transactions contemplated by the Transaction Agreement and (ii) certain aspects of the management, operation and governance of the Company after consummation of the Aegis Transactions.

On December 13, 2018, the Company, and Aegis Stockholder, entered into a Securities Purchase Agreement, pursuant to which Aegis Stockholder purchased, and the Company issued and sold, 368,098 shares of Common Stock at a purchase price of $6.52 per share, or a total purchase price of $2,400, taking its holding to approximately 56% of the Company's outstanding Common Stock (the "2018 Equity Offering"). The Company used the proceeds for general corporate purposes.

On May 17, 2019, the Company entered into a Stock Purchase Agreement with the Aegis stockholder and certain additional investors, pursuant to which the Company issued and sold 692,520 shares of Common Stock at a purchased price of $7.48 per share, or a total purchase price of $5,180 (the "2019 Equity Offering"). The Aegis stockholder purchased 100,267 shares of Common Stock in the 2019 Equity Offering.

Basis of preparation

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

These 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 balance sheet as of December 31, 2018, included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by US-GAAP. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-KT for the nine months period ended December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements reflect the financial results of all subsidiaries that are more than 50% owned and over which the Company exerts control. When the Company does not have majority ownership in an entity but exerts significant influence over that entity, the Company accounts for the entity under the equity method of accounting. All intercompany balances are eliminated on consolidation. Where our ownership of a subsidiary was less than 100%, the non-controlling interest is reported in our Condensed Consolidated Balance Sheets. The non-controlling interest in our consolidated net income is reported as "Net income (loss) attributable to non-controlling interests" in our Condensed Consolidated Statements of Comprehensive Income (Loss). These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto contained in our Form 10-KT for the nine months period ended December 31, 2018 filed with the SEC on March 14, 2019.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, intangibles, impairment of goodwill, purchase price allocations, provision for doubtful receivables, valuation allowances for deferred tax assets, the valuation of derivative financial instruments, measurements of stock-based compensation, assets and obligations related to employee benefits, lease termination liabilities, restructuring costs, and income tax uncertainties and other contingencies. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the Company's consolidated financial statements.

Revenue

On April 1, 2018, the Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers, (Topic 606) using the modified retrospective method. Topic 606 utilizes a five-step process, for revenue recognition that focuses on transfer of control, rather than transfer of risks and rewards. It also provided additional guidance on accounting for contract acquisition and fulfillment costs. Refer Note 5 on "Revenue from Contracts with Customers" for further information.

Consistent with the modified retrospective method of adoption, the Company has not adjusted prior period amounts which continue to be reported in accordance with the Company's historic revenue accounting policy and principles.

Leases

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

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

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

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

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC805, Business Combinations, by recognizing identifiable tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquired business at their fair values. The excess of the cost of the acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Acquisition related costs are expensed as incurred.

Goodwill and Intangible Assets

Goodwill is recognized as the excess cost of an acquired entity over the net amount assigned to assets acquired and liabilities assumed andnot amortized but is reviewed for impairment at least annually or more frequently if impairment indicators arise. Our goodwill is allocated by reporting unit and is evaluated for impairment by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. If it is determined, based on qualitative factors, that the fair value of the reporting unit is "more likely than not" less than the carrying amount or if significant changes related to the reporting unit have occurred that could materially impact fair value, a quantitative goodwill impairment test would be required. The Company can elect to forgo the qualitative assessment and perform the quantitative test.

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

Foreign Currency Matters

The Company has operations in Argentina and its functional currency has historically been the Argentine Peso. The Company monitors inflation rates in countries in which it operates as required by US GAAP. Under ASC 830-10-45-12, an economy must be classified as highly inflationary when the cumulative three-year rate exceeds 100%.

In May 2018, a discussion document prepared by the Center for Audit Quality SEC Regulations Committee and its International Practices Task Force describes inflation data for Argentina through April 2018. Considering this data and more recent data for May 2018, all of the three-year cumulative inflation rates commonly used to evaluate Argentina's inflation currently exceed 100%.

Therefore, the Company has considered Argentina to be highly inflationary beginning onJuly 1, 2018. In accordance with ASC 830, the functional currency of the Argentina business has been changed to USD, which requires remeasurement of the local books to USD. Exchange gains and losses is recorded through net income as opposed to through other comprehensive income as had been done historically. Translation adjustments from prior periods will not be removed from equity.

Stock-Based Compensation

We recognize expense related to all share-based payments to employees, including grants of employee stock options, based on the grant-date fair values amortized straight-line over the period during which the employees are required to provide services in exchange for the equity instruments. We include an estimate of forfeitures when calculating compensation expense. We use the Black-Scholes method for valuing stock-based awards. See Note 11, "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 Note11, "Share-Based Compensation."

Recent Accounting Pronouncements

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

In June 2016, FASB issued accounting standard updated on *Financial Instruments - Credit Losses (Topic* 326*), 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, 2019, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein. We do not expect the adoption of this standards will have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework— Changes to the Disclosure Requirements for Fair Value Measurement." The ASU modifies the disclosure requirements with respect to fair value measurements. The ASU is effective for the Company beginning January 1, 2020, including interim periods in fiscal year 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

3. BUSINESS ACQUISITIONS

Aegis Transactions

On July 20, 2018, the Company completed the acquisition of all of the issued and outstanding shares of capital stock of Aegis from the Aegis Stockholder in exchange for the issuance of 20,600,000 shares of the Common Stock in the Aegis Transactions. Concurrently, the Aegis Stockholder purchased 166,667 newly issued shares of the Common Stock at a price of $12 per share for a total cash payment of $2,000. As a result of the consummation of the Aegis Transactions, the 2018 Equity Offering and the 2019 Equity Offering, the Aegis Stockholder now holds 21,235,032 shares of the Common Stock, which is equivalent to approximately 55% of the total outstanding Common Stock.

In accordance with ASC 805, Business Combinations, the transaction was accounted for as a reverse acquisition. As such, Aegis is considered to be the accounting acquirer. Therefore, Aegis' historical financial statements replace the Company's historical financial statements following the completion of the Aegis Transactions, and the results of operations of both companies will be included in the Company's financial statements for all periods subsequent to July 20, 2018.

The fair value of the purchase consideration is calculated based on the Company's stock price as it is considered to be more reliably determinable than the fair value of Aegis' private stock. Consideration is calculated based on the Company's closing stock price of $6.81 on July 20, 2018. The allocation of the purchase price was finalized since Aegis Transaction was closed.

The following table presents the purchase price and the fair value of the identifiable assets and liabilities:

		Amount
Stock consideration (number of shares outstanding immediately prior the closing date)		16,226,392
Closing share price on July 20, 2018	$	6.81
Total allocable purchase price	$	**110,502**

		Amount
Cash and cash equivalents	$	1,496
Other current assets		46,094
Property, plant and equipment, net		15,930
Identifiable intangible assets		28,960
Goodwill		64,345
Other non-current assets		3,204
Current liabilities		(22,548)
Non-current liabilities		(26,979)
Purchase price	$	**110,502**

The goodwill recognized was attributable primarily to the acquired workforce, increased utilization of our global delivery platform and other synergistic benefits. Goodwill from this acquisition is not expected to be deductible for tax purposes.

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As of September 30, 2019, the carrying value of goodwill relating to business acquisitions is $226,513. The carrying value of goodwill is allocated to reporting units is as follows:

Reporting Units	Amount
Aegis	162,168
StarTek	64,345
Ending balance, September 30, 2019	**$226,513**

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

As of September 30, 2019, based on the qualitative assessment, we concluded that goodwill wasnot impaired.

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

		Amount
Opening balance, December 31, 2018	$	225,450
Measurement period adjustments		1,063
Ending balance, September 30, 2019	$	**226,513**

Intangible Assets

The following table presents our intangible assets as of September 30, 2019

		Gross Intangibles		Accumulated Amortization		Net Intangibles		Weighted Average Amortization Period (years)
Customer relationships	$	65,050	$	9,193	$	55,857		6.5
Brand		49,500		6,809		42,691		7.1
Trademarks		14,410		1,209		13,201		7.5
Other intangibles		2,100		439		1,661		4.9
	$	**131,060**	$	**17,650**	$	**113,410**	$	-

Expected future amortization of intangible assets as of September 30, 2019 is as follows:

Years Ending December 31,		Amount
Remainder of 2019	$	2,584
2020		10,277
2021		10,277
2022		10,277
2023		10,236
Thereafter		69,759

In August 2019, the management has decided to retain and use Startek as the brand for all its customer/clients, vendors, employees, associates and others, across all geographies including Aegis, to bring uniformity across geographies. The management is planning to phase out the Aegis Brand over a period of time. Any accounting implications on the carrying values and amortization periods of the related intangible assets is currently being estimated and worked out, and will be considered in the following quarter.

5. REVENUE

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

Contracts with Customers

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

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

Performance Obligations

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

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

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

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

Table of Contents

Revenue Recognition Methods

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

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

Practical expedients and exemptions

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

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

Disaggregated Revenue

Revenues by our clients' industry vertical for the three and nine months ended September 30, 2019 and 2018, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Vertical:	**2019**	**2018**	**2019**	**2018**
Telecom	61,439	73,613	191,684	198,374
E-commerce & Consumer	27,530	18,206	76,249	34,269
Financial & Business Services	12,392	14,250	38,957	42,432
Media & Cable	23,408	16,744	68,752	22,752
Travel & Hospitality	18,244	15,292	52,133	42,299
Healthcare & Education	11,880	7,690	30,761	12,634
Technology, IT & Related Services	3,063	2,404	8,958	5,225
All other segments	6,674	3,310	19,560	18,842
Gross Revenue	**164,630**	**151,509**	**487,054**	**376,827**
Less: Warrant Contra Revenue	0	-	(730)	-
Net Revenue	$ **164,630**	$ **151,509**	$ **486,324**	$ **376,827**

6. NET LOSS PER SHARE

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

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

In connection with the Aegis Transactions, the Company maintained Startek's 2008 Equity Incentive Plan (see Note 11, "Share-based compensation and employee benefit plans" for more information). For the three and nine months ended September 30, 2019, the following shares were not included in the computation of diluted earnings per share because we reported a net loss and the effect would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Anti-dilutive securities:				
Stock options	2,637	5	2,637	298

7. RESTRUCTURING AND OTHER ACQUISITION RELATED COST

The table below summarizes the balance of accrued restructuring and other acquisition related cost, which is included in other accrued liabilities in our consolidated balance sheets, and the changes during the nine months ended September 30, 2019:

	Employee related	Facilities related	Total
Balance as of December 31, 2018	$ 760	$ 2,268	$ 3,028
Accruals/(reversals)	1,991	78	2,069
Payments	(1,973)	(1,657)	(3,630)
Balance as of September 30, 2019	$ **778**	$ **689**	$ **1,467**

Employee related

In 2018, in conjunction with the closing of the Aegis Transactions, we eliminated a number of positions which were considered redundant, under a company-wide restructuring plan. We recognized provision for employee related costs across a number of geographies and we expect to pay the remaining costs of $670 by the end of fourth quarter 2019.

In March 2019, the Company has closed one of its sites in Argentina. Upon closure, the Company eliminated a number of positions which were considered redundant and recognized provision for employee related costs and we expect to pay the remaining costs of $108 by the end of fourth quarter 2019.

Facilities related

In 2018, in conjunction with the closing of the Aegis Transactions, we terminated various leases in the United States and the Philippines. We recognized provision for the remaining costs associated with the leases. We expect to pay the remaining costs of $624 by the end of the first quarter of 2021.

Upon closure of site in Argentina, the Company recognized provision for facility related costs and we expect to pay the remaining costs of $65 by the end of the fourth quarter of 2019.

8. DERIVATIVE INSTRUMENTS

Cash flow hedges

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

Unrealized gains and losses are recorded in accumulated other comprehensive income ("AOCI") and will be re-classified to operations as the forecasted expenses are incurred, typically within one year. During the nine months ended September 30, 2019 and 2018, our cash flow hedges were highly effective and hedge ineffectiveness was not material.

The following table shows the notional amount of our foreign exchange cash flow hedging instruments as of September 30, 2019:

	Local Currency Notional Amount	U.S. Dollar Notional Amount
Philippine Peso	1,327,000	24,821
Canadian Dollar	2,171	1,622
		$ 26,443

Derivative assets and liabilities associated with our hedging activities are measured at gross fair value as described in Note 9, "Fair Value Measurements," and are included in prepaid expense and other current assets and accrued expenses and other current liabilities in our condensed consolidated balance sheets, respectively.

Non-designated hedges

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

Unrealized gains and losses and changes in fair value of these derivatives are recognized as incurred in Exchange gains (losses), net in the Consolidated Statements of Comprehensive Income (Loss). The following table presents these amounts for the three and nine months ended September 30, 2019 and 2018:

Derivatives not designated under ASC 815	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Foreign currency forward contracts	$ 393	$ 1,046	$ 536	$ 1,046
Interest rate swap	$ (6)	$ (13)	$ (636)	$ (27)

9. FAIR VALUE MEASUREMENTS

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

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

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

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

Derivative Instruments

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

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

	As of September 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 1,960	$ —	$ 1,960
Total fair value of assets measured on a recurring basis	$ —	$ 1,960	$ —	$ 1,960
Liabilities:				
Interest rate swap	$ —	$ 648	$ —	$ 648
Foreign exchange contracts	$ —	$ 153	$ —	$ 153
Total fair value of liabilities measured on a recurring basis	$ —	$ 801	$ —	$ 801

	As of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 1,388	$ —	$ 1,388
Total fair value of assets measured on a recurring basis	$ —	$ 1,388	$ —	$ 1,388
Liabilities:				
Interest rate swap	$ —	$ 31	$ —	$ 31
Foreign exchange contracts	$ —	$ 276	$ —	$ 276
Total fair value of liabilities measured on a recurring basis	$ —	$ 307	$ —	$ 307

10. DEBT

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

	September 30, 2019		December 31, 2018	
Short term debt and current portion of long term debt				
Working capital facilities	$	25,213	$	21,975
Current maturity of long term debt		16,900		9,800
Current maturity of finance lease obligations		658		1,816
Total	$	**42,771**	$	**33,591**
Long term debt				
Term loan, net of debt issuance costs	$	108,989	$	120,462
Equipment loan		1,611		-
Secured revolving credit facility		30,901		31,152
Finance lease obligations		131		486
Total	$	**141,632**	$	**152,100**

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 $33 million for a number of working capital products. These facilities bear interest at benchmark rate plus margins between3.0% and 4.5% and are due on demand. These facilities are collateralized by various Company assets and have a total outstanding balance of $25.2 million as of September 30, 2019.

Term loan

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

Principal payments due on the term loan are as follows:

Years		**Amount**
Remainder of 2019		2,800
2020		16,800
2021		21,000
2022		88,200
Total	$	128,800

The Term loan has a floating interest rate of USD LIBOR plus4.5% annually for the first year and thereafter the margin will range between3.75% and 4.5% subject to certain financial ratios.

In connection with the Term loan, the Company incurred issuance costs of $7.3 million which are net against the Term loan on the balance sheet. Unamortized debt issuance costs as of September 30, 2019 amount to $4.4 million.

Secured revolving credit facility

The Company has a secured revolving credit facility which is effective throughMarch 2022. Under this agreement, wemay borrow the lesser of the borrowing base calculation and $50 million. As long as no default has occurred and with lender consent, wemay increase the maximum availability to $70 million in $5 million increments, and we may request letters of credit in an aggregate amount equal to the lesser of the borrowing base calculation (minus outstanding advances) and $5 million. The borrowing base is generally defined as95% of our eligible accounts receivable less certain reserves.

As of September 30, 2019, we had $30.9 million of outstanding borrowings and our remaining borrowing capacity was $9.793 million. Our borrowings bear interest at one-month LIBOR plus 1.50% to 1.75%, depending on current availability.

We have entered into factoring agreements with financial institutions to sell certain of our accounts receivable under non-recourse agreements. These transactions are accounted for as a reduction in accounts receivable because the agreements transfer effective control over and risk related to the receivables to the buyers. We do not service any factored accounts after the factoring has occurred. We utilize factoring arrangements as part of our financing for working capital. The aggregate gross amount factored under these agreements was $4.83 million for nine months ended September 30, 2019.

BMO Equipment Loan

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

Finance lease obligations

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

11. SHARE-BASED COMPENSATION

Amazon Warrant

On January 23, 2018, Startek entered into the Amazon Transaction Agreement, pursuant to which we agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon ("NV Investment"), a warrant (the "Warrant") to acquire up to 4,000,000 shares (the "Warrant Shares") of our common stock, par value $0.01 per share ("Common Stock"), subject to certain vesting events. As a result of an anti-dilution adjustment that was triggered by the 2019 Equity Offering, total number of shares issuable to Amazon have been adjusted from 4,000,000 to 4,002,964. We entered into the Amazon Transaction Agreement in connection with commercial arrangements between us and any of our affiliates and Amazon and/or any of its affiliates pursuant to which we and any of our affiliates provide and will continue to provide commercial services to Amazon and/or any of its affiliates. The vesting of the Warrant shares, described below, is linked to payments made by Amazon or its affiliates (directly or indirectly through third parties) pursuant to the commercial arrangements.

The first tranche of 425,532 Warrant Shares vested upon the execution of the Amazon Transaction Agreement. The remainder of the Warrant Shares will vest in various tranches based on Amazon's payment of up to $600 million to us or any of our affiliates in connection with the receipt by Amazon or any of its affiliates of commercial services from us or any of our affiliates. The exercise price for all Warrant Shares was originally $9.96 per share but was adjusted to $9.95 per share as a result of an anti-dilution adjustment that was triggered by the 2019 Equity Offering. The Warrant Shares are exercisable through January 23, 2026.

The second tranche of 212,766 Warrant Shares vested on May 31, 2019. The amount of contra revenue attributed to these Warrant Shares is $730. The contra-revenue and equity is estimated and recorded, using the Monte Carlo pricing model, when performance completion is probable, with adjustments in each reporting period until performance is complete in conformance with the requirements in ASC 505 and ASC 718.

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

Because the Warrant contains performance criteria (i.e. aggregate purchase levels) which Amazon and/or any of its affiliates must achieve for the Warrant Shares to vest, as detailed above, the final measurement date for each tranche of the Warrant Shares is the date on which performance is completed. Prior to the final measurement date, when achievement of the performance criteria has been deemed probable, a reduction in revenue equal to the percentage of completion to date will be recognized. The fair value of the Warrant Shares will be adjusted at each reporting period until they are earned.

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, 2019 was $1,151, and is included in selling, general and administrative expense. As of September 30, 2019, there was $1,351 of total unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.8 years.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consisted of the following items:

	Foreign Currency Translation Adjustment	Derivatives Accounted for as Cash Flow Hedges	Defined Benefit Plan	Equity attributable to Startek shareholders	Non-controlling interests	Total
Balance at December 31, 2018	**$ (3,989)**	**$ (15)**	**$ (1,543)**	**$ (5,547)**	**$ (1,243)**	**$ (6,790)**
Foreign currency translation	(1,299)	-	-	(1,299)	-	(1,299)
Change in fair value of derivative instruments	-	50	-	50	-	50
Pension remeasurement	-	-	(25)	(25)	(45)	(70)
Balance at September 30, 2019	**$ (5,288)**	**$ 35**	**$ (1,568)**	**$ (6,821)**	**$ (1,288)**	**$ (8,109)**

13. SEGMENT AND GEOGRAPHICAL INFORMATION

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

Based on our evaluation of the facts and circumstances, the Company has concluded that it has asingle operating and reportable segment (BPO), and two reporting units (Aegis and Startek).

The Group prepares its geographical information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group as a whole.

Revenues by geography, based on the location of the Company's delivery centers for the three and nine months September 30, 2019 and 2018, is presented below:

	Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
India	27,397	31,106	81,818	97,422
Middle East	31,815	31,189	97,150	93,178
Malaysia	19,392	14,911	52,588	43,263
Argentina	9,969	12,728	31,283	44,746
United States	27,119	22,475	81,301	22,475
Australia	6,895	8,717	20,850	27,152
Philippines	18,570	13,235	51,996	13,235
Rest of World	23,472	17,148	69,339	35,356
Total	$ **164,630**	$ **151,509**	$ **486,324**	$ **376,827**

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

	As on September 30, 2019	As on December 31, 2018
Property, plant and equipment, net:		
India	11,115	13,287
Middle East	5,028	6,507
Malaysia	4,478	5,058
Argentina	1,276	1,341
United States	3,731	5,349
Australia	229	345
Philippines	1,858	2,835
Rest of World	8,030	7,519
Total	$ **35,745**	$ **42,242**

14. LEASES

We have operating and finance leases for service centers, corporate offices and certain equipment. Our leases have remaining lease terms of1 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 within1 year.

The components of lease expense were as follows:

	Nine months ended September 30, 2019
Operating lease cost	$ 23,064
Finance lease cost:	
Amortization of right-of-use assets	1,257
Interest on lease liabilities	71
Total finance lease cost	**1,328**

Supplemental cash flow information related to leases was as follows:

	Nine months ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	22,783
Operating cash flow from finance leases	71
Financing cash flows from finance leases	1,831
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	66,647
Finance lease	-

Supplemental balance sheet information related to leases was as follows:

	As of September 30, 2019
Operating Leases	
Operating lease right-of-use assets	$ 66,647
Operating Lease Liabilities-Current	19,838
Operating Lease Liabilities-Non-Current	47,782
Total operating lease liabilities	$ **67,620**
Finance Leases	
Property and equipment, at cost	11,261
Accumulated depreciation	(9,736)
Property and equipment, at net	$ **1,525**
Finance Lease Obligation-Current	658
Finance Lease Obligation-Non Current	131
Total finance lease liabilities	$ **789**

	As of September 30, 2019
Weighted average remaining lease term	
Operating leases	4.59 yrs
Finance leases	2.17 yrs
Weighted average discount rate	
Operating leases	7.43%
Finance leases	6.01%

Maturities of lease liabilities were as follows:

	Operating leases	Finance leases
Year ending December, 31		
Remaining of 2019	$ 24,094	$ 390
2020	17,406	362
2021	11,434	63
2022	9,327	8
2023	6,513	-
Thereafter	10,093	-
Total lease payments	$ **78,867**	$ **823**
Less imputed interest	(11,247)	(34)
Total	$ **67,620**	$ **789**

15. SUBSEQUENT EVENT

None

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

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report. All dollar amounts are presented in thousands other than per share data.

BUSINESS DESCRIPTION AND OVERVIEW

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

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

We operate in a single operating segment providing business outsourcing solutions in the customer experience management space.

SIGNIFICANT DEVELOPMENTS

None

RESULTS OF OPERATIONS — THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Pursuant to the completion of the Aegis acquisition on July 20, 2018, the Aegis Stockholder became the holder of 20,766,667 shares of Common Stock, representing approximately 55% of the outstanding Common Stock. For accounting purposes, the Aegis acquisition is treated as a reverse acquisition and Aegis is considered the accounting acquirer. Accordingly, Aegis' historical financial statements replace the Company's historical financial statements following the completion of the Aegis Transactions, and the results of operations of both companies will be included in the Company's financial statements for all periods following the completion of the Aegis Transactions. The historical financial information presented for the periods and dates prior to July 20, 2018 is that of Aegis, and for periods subsequent to July 20, 2018 is that of the combined company.

As a result, the financials discussed below are not strictly comparable as the financials for the three-month period ended September 30, 2018 represent only Aegis operations until July 20, 2018 and the three-month period ended September 30, 2019 represents the combined operations of Aegis and Startek for the full period.

Revenue

Our revenues for the three month period ended September 30, 2019 increased by 8.7% to $164,630 as compared to $151,509 for the three-month period ended September 30, 2018. The increase in revenues is largely due to the consolidation of Startek with Aegis.

The three-month period ended September 30, 2018 includes only Aegis until July 20, 2018 while the current three-month period ended September 30, 2019 includes both Startek and Aegis. In order to promote a better understanding of the overall results of the combined business, we are providing below pro forma revenues for the three-month period ended September 30, 2018 combining the revenues for Aegis and Startek for full period. The financial information presented below is presented for illustrative purposes only and does not purport to represent what the results of operations of operations would actually have been had the combination of Aegis and Startek occurred on January 1, 2018, or to project the combined results of operations for any future periods.

	For the Three Months Ended September 30, 2019	Pro Forma For the Three Months Ended September 30, 2018
Revenues	$ 164,630	$ 163,932
Warrant Contra Revenue		-
Net Revenue	**164,630**	**163,932**

Our net revenues for the three-month period ended September 30, 2019 was $164,630 compared to $163,932 for the three-month period ended September 30, 2018 on a pro forma basis. The breakdown of our revenues from various industry verticals for three-month period ended September 30, 2019 and three-month period ended September 30, 2018 on a pro forma basis is as follows:

	For the Three Months Ended September 30, 2019	Pro Forma For the Three Months Ended September 30, 2018
Verticals:		
Telecom	$ 61,439	77,812
E-commerce & Consumer	27,530	20,861
Financial & Business Services	12,392	14,538

Media & Cable	23,408	20,209
Travel & Hospitality	18,244	15,402
Healthcare & Education	11,880	8,942
Technology, IT & Related Services	3,063	2,740
All other segments	6,674	3,428
Gross Revenue	164,630	163,932
Less: Warrant Contra Revenue	-	-
Net Revenue	$ **164,630**	$ **163,932**

The $698 increase in revenue was driven by the higher revenues across all segments which was partly offset by lower revenues in telecommunications.

We have been successful in our strategy to diversify outside of telecommunication vertical which contributed around 37% of our revenue for the quarter as compared to 47% for the comparable quarter last year. We continue to focus on providing value added services to our telecom clients and shifting our business mix towards the premium market rather than the mass market.

We have been growing steadily in the e-commerce and consumer industry with our existing customers continue to increase their business with us. We continue to grow new business lines from our large clients in the media and cable industry vertical.

Our revenue growth in the three-month period ended September 30, 2019 as compared to the three-month period ended September 30, 2018 was also impacted negatively by fluctuations in foreign exchange particularly that of Argentine peso, South African rand and Australian dollar relative to the US dollar.

Table of Contents

Cost of services

Overall, Cost of services as a percentage of revenue decreased to 82.7% for the three-month period ended September 30, 2019 as compared to 85% for the three-month period ended September 30, 2018. Employee wages and benefit expense, rent expense and depreciation and amortization are the most significant costs for the Company, representing 78.2%, 5.1% and 4.0% of total Cost of services, respectively. The breakdown of Cost of services is listed in the table below:

	For the Three Months Ended September 30, 2019		As percentage of Revenue	
	2019	**2018**	**2019**	**2018**
Wages and benefits	$ 106,402	$ 93,513	64.6%	61.7%
Rent expense	6,898	5,492	4.2%	3.6%
Depreciation and amortization	5,514	5,855	3.3%	3.9%
Other	17,328	23,887	10.5%	15.8%
Total	$ **136,142**	$ **128,747**	**82.7%**	**85.0%**

Wages and benefits: 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.

For the three-month period ended September 30, 2019, wages and benefits as a percentage of revenues increased to 64.6%, compared to 61.7% for the three month period ended September 30, 2018. This was due to increase in revenue and upfront ramp-up of delivery agents to meet the increased volumes expected in the upcoming holiday season. We continue to deliver on the strategy to diversify into more value-added premium services and high margin verticals and away from telecommunication.

Rent expense: Rent expense as a percentage of revenue increased to 4.2% for the three-month period ended September 30, 2019, compared to 3.6% for three-month period ended September 30, 2018. The increase was partly due to the combination of Startek with Aegis since the rent cost as a percentage of sales is higher for the legacy Startek business taking the consolidated rent costs as a percentage of sales higher and partly as we added a new site in Jamaica and a second center in Tegucigalpa in the current financial year.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the three-month period ended September 30, 2019 decreased to 3.3% as compared 3.9% for the three-month period ended September 30, 2018.

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs decreased from 15.8% to 10.5%. The decrease was largely due to lower outsourcing expenses in the current period and also due to cost optimization and rationalization efforts undertaken by the Company post reverse acquisition between Startek and Aegis.

In aggregate, gross profit as a percentage of revenue for the three-month period ended September 30, 2019 increased to 17.3% as compared to 15% for the three-month period ended September 30, 2018.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue decreased from 15.1% in the three-month period ended September 30, 2018 to 13.9% in the three-month period ended September 30, 2019. The decrease was largely due to cost optimization and rationalization efforts undertaken by the Company post reverse acquisition between Startek and Aegis. The previous period also had higher provisions taken for doubtful debts as compare to the current period as the Company started recognizing this provision starting the quarter ended September 30, 2018.

Restructuring and other acquisition related costs

Restructuring and other acquisition related costs totaled $220 for the three-month period ended September 30, 2019. This primarily relates to cost of employee severance pertaining to restructuring in India and USA. The charges for the period ended September 30, 2018 pertains to the Aegis Transactions.

Interest expense, net

Interest and other cost totaled $3,388 for the three-month period ended September 30, 2019, compared to $4,067 for the three-month period ended September 30, 2018. The interest expense is on our term debt and revolving line of credit facilities.

Income tax expense

Income tax expense for the three-month period ended September 30, 2019 was $3,436 compared to $953 for the three-month period ended September 30, 2018.

RESULTS OF OPERATIONS — NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Pursuant to the completion of the Aegis acquisition on July 20, 2018, the Aegis Stockholder became the holder of 20,766,667 shares of Common Stock, representing approximately 55% of the outstanding Common Stock. For accounting purposes, the Aegis acquisition is treated as a reverse acquisition and Aegis is considered the accounting acquirer. Accordingly, Aegis' historical financial statements replace the Company's historical financial statements following the completion of the Aegis Transactions, and the results of operations of both companies will be included in the Company's financial statements for all periods following the completion of the Aegis Transactions. The historical financial information presented for the periods and dates prior to July 20, 2018 is that of Aegis, and for periods subsequent to July 20, 2018 is that of the combined company.

As a result, the financials discussed below are not strictly comparable as the financials for the nine-month period ended September 30, 2018 represent legacy Aegis operations until July 20, 2018 and the nine-month period ended September 30, 2019 represents the combined operations of Aegis and Startek for the full period.

Revenue

Our revenues for the nine-month period ended September 30, 2019 increased by 29.3% to $487,054 as compared to $376,827 for the nine-month period ended September 30, 2018. The increase in revenues is largely due to the consolidation of Startek with Aegis. In the nine-months ended September 30, 2019, there was a warrant contra revenue of $730 on account of vesting of the second tranche of Amazon warrants on May 31, 2019. The net Revenue for the nine-months ended September 30, 2019, after adjusting the warrant contra revenue, stood at $486,324 which was an increase of 29.1% as compared to $376,827 for the nine-month period ended September 30, 2018.

The nine-month period ended September 30, 2018 includes only Aegis until July 20, 2018 while the current nine-month period ended September 30, 2019 includes both Startek and Aegis for full period. In order to promote a better understanding of the overall results of the combined business, we are providing below pro forma revenues for the nine-month period ended September 30, 2018 combining the revenues for Aegis and Startek. The financial information presented below is presented for illustrative purposes only and does not purport to represent what the results of operations would actually have been had the combination of Aegis and Startek occurred on January 1, 2018, or to project the combined results of operations for any future periods.

	For Nine Months Ended September 30, 2019	Pro Forma For Nine Months Ended September 30, 2018
Revenues	$ 487,054	$ 518,080
Warrant Contra Revenue	(730)	(2,500)
Net Revenue	**486,324**	**515,580**

Our net revenues for the nine-month period ended September 30, 2019 was $486,324 compared to $515,580 for the nine-month period ended September 30, 2018 on a pro forma basis. The breakdown of our revenues from various industry verticals for nine-month period ended September 30, 2019 and nine-month period ended September 30, 2018 on a pro forma basis is as follows:

	For Nine Months Ended September 30, 2019	Pro Forma For Nine Months Ended September 30, 2018
Verticals:		
Telecom	$ 191,684	$ 260,568
E-commerce & Consumer	76,249	62,366
Financial & Business Services	38,957	47,809
Media & Cable	68,752	55,177
Travel & Hospitality	52,133	43,650
Healthcare & Education	30,761	24,400
Technology, IT & Related Services	8,958	9,058
All other segments	19,560	15,052
Gross Revenue	487,054	518,080
Less: Warrant Contra Revenue	(730)	(2,500)
Net Revenue	**486,324**	**515,580**

Excluding Warrant Contra Revenue, the $29,256 decrease in revenue was driven by lower telecom revenues in the Americas, India and other countries as well as due to foreign exchange impact mainly in Argentina and India.

We have been successful in our strategy to diversify outside of telecommunication vertical which contributed around 39% of our revenue for the nine-month period ended September 30, 2019 as compared to 51% for the comparable period last year. We continue to focus on providing value added services to our telecom clients and shifting our business mix towards the premium market rather than the mass market.

We have been growing steadily in the e-commerce and consumer industry with our existing customers continue to increase their business with us. We continue to grow new business lines from our large clients in the media and cable industry vertical.

Our revenue growth in the current nine-month period ended September 30, 2019 as compared to the nine-month period ended September 30, 2018 was also impacted negatively by fluctuations in foreign exchange particularly that of Argentine peso, South African rand, Australian dollar and Indian rupee relative to the US dollar.

Cost of services

Overall, Cost of services as a percentage of revenue decreased to 82.9% for the nine-month period ended September 30, 2019 as compared to 83.9% for the nine-month period ended September 30, 2018. Employee wages and benefit expense, rent expense and depreciation and amortization are the most significant costs for the Company, representing 76.6%, 5.6% and 4.1% of total Cost of services, respectively. The breakdown of Cost of services is listed in the table below:

	For the Nine Months Ended September 30, 2019		As percentage of Revenue	
	2019	**2018**	**2019**	**2018**
Wages and benefits	$ 308,664	$ 237,922	63.5%	63.1%
Rent expense	22,591	13,413	4.6%	3.6%
Depreciation and amortization	16,380	15,166	3.4%	4.0%
Other	55,429	49,524	11.4%	13.2%
Total	**$ 403,064**	**$ 316,025**	**82.9%**	**83.9%**

Wages and benefits: 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.

For the nine-month period ended September 30, 2019, wages and benefits as a percentage of revenues increased slightly to 63.5%, compared to 63.1% for the nine-month ended September 30, 2018. This was due to the impact of the increase in minimum wages across several geographies. We are delivering on our ongoing strategy to diversify into more value-added premium services and high margin verticals and away from telecommunication.

Rent expense: Rent expense as a percentage of revenue increased to 4.6% for the nine-month period ended September 30, 2019, compared to 3.6% for nine-month period ended September 30, 2018. The increase was largely due to the combination of Startek with Aegis since the rent cost as a percentage of sales is higher for the legacy Startek business taking the consolidated rent costs as a percentage of sales higher. Additionally, we also commenced operations from one new center each in Jamaica and Tegucigalpa in the current period.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the nine-month period ended September 30, 2019 decreased to 3.4% as compared 4.0% for the nine-month period ended September 30, 2018.

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs decreased to 11.4% as compared to 13.2%. The decrease was driven due to cost optimization and rationalization efforts undertaken post reverse acquisition between Startek and Aegis.

In aggregate, gross profit as a percentage of revenue for the nine-month period ended September 30, 2019 increased to 17.1% as compared to 16.1% for the nine-month period ended September 30, 2018.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue increased slightly from 13.9% in the nine-month period ended September 30, 2018 to 14.8% in the nine-month period ended September 30, 2019. The increase is largely driven by the Aegis Transaction and the related costs of employees in the United States, which, as a percentage of sales for legacy Startek, is higher relative to legacy Aegis. As part of the Company-wide restructuring exercise, we have taken steps to rationalize costs.

Restructuring and other acquisition related costs

Restructuring and other acquisition related costs totaled $2,058 for the nine-month period ended September 30, 2019. This primarily relates to the restructuring of our U.S. and Latin America operations where we closed one delivery center each and restructure cost of employee severance. The acquisition related costs for the nine-month period ended September 30, 2018 of $12,776 relates to the acquisition of Aegis by Capital Square Partners and the Aegis Transactions.

Interest expense, net

Interest and other cost totaled $10,876 for the nine-month period ended September 30, 2019, compared to $11,433 for the nine-month period ended September 30, 2018. The interest expense is on our term debt and revolving line of credit facilities.

Income tax expense

Income tax expense for the nine-month period ended September 30, 2019 was $4,550 compared to $1,519 for the nine-month period ended September 30, 2018.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

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

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash held by the Company and all its foreign subsidiaries was $28,377 and $24,569 as at September 30, 2019 and December 31, 2018, respectively. Under current tax laws and regulations, if cash and cash equivalents held outside the United States are distributed to the United States in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes. The restricted cash balance as at September 30, 2019 stood at $10,582 as compared to $7,952 as at December 31, 2018. The restricted cash pertains to debt service reserve account that we have to maintain in accordance with the Senior Term Agreement and also for certain term deposits that need to be maintained in accordance with some of our lease and client agreements.

Cash flows from operating activities

For the nine-month period ended September 30, 2019 and 2018 we reported net cash flows generated from operating activities of $6,621 and $4,215 respectively. The increase was driven primarily by higher operating profit and an increase in cash flows related to net changes in operating assets and liabilities.

Cash flows used in investing activities

For the nine-month period ended September 30, 2019 and 2018 we reported net cash used in investing activities of $7,710 and $5,912 respectively. Net cash used in investing activities during the nine-month period ended 2019 primarily consisted of capital expenditures.

Cash flows generated from financing activities

For the nine-month period ended September 30, 2019 and 2018 we reported net cash flows generated from financing activities of $5,394 and $1,892 respectively. During the nine-month period ended September 30, 2019 our net borrowings decreased by $1,169 across our various borrowing arrangements and amounts raised from the 2019 Equity Offering was $6,563.

Debt

For more information, refer to Note 10, "Debt," to our unaudited condensed consolidated financial statements included in Item 1, "Financial Statements."

Table of Contents

CONTRACTUAL OBLIGATIONS

There were no material changes in our contractual obligations during the nine months ended September 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

We have no material off-balance sheet transactions, unconditional purchase obligations or similar instruments, and we are not a guarantor of any other entities' debt or other financial obligations.

VARIABILITY OF OPERATING RESULTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Please refer to Note 2 of the Notes to the Consolidated Financial Statements in our Form 10-KT for the year ended December 31, 2018 for a complete description of our critical accounting policies and estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. As of September 30, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2019, our disclosure controls and procedures were effective and were designed to ensure that all information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in internal controls over financial reporting. On July 20, 2018, we completed Aegis transaction. In connection with this, our internal controls over financial reporting are being integrated to incorporate the internal controls over financial reporting framework of Aegis. Such integration has resulted in changes in our financial reporting (as described in Rule 13a - 15(f) under the Exchange Act) that have materially affected our internal controls over financial reporting specifically in relation to accounting period end closure process and consolidation process. As a result of the remediation plan to address the material weakness raised by Plante Moran, PLCC in relation to SEC Financial Reporting process, accounting for significant and unusual transactions and the consolidation process, there are changes in our internal controls over financial reporting.

Other than the remediation plan to mitigate the material weaknesses identified by Plante Moran, PLLC, additions and modifications to policies and controls over implementation of new lease standard, there has been no change in our internal controls over financial reporting (as described in Rule 13a - 15(f) under the Exchange Act) during the quarter ended September 30, 2019 that has materially affected or is reasonably likely to have material affect our internal controls.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

None.

ITEM 1A. RISK FACTORS

None.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

INDEX OF EXHIBITS

Exhibit No.	Exhibit Description	Incorporated Herein by Reference		
		Form	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 (XBRL): (i) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited), (ii) Consolidated Balance Sheets as of September 30, 2019 (Unaudited) and December 31, 2018, (iii) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018 (Unaudited) and (iv) Notes to Consolidated Financial Statements (Unaudited)			
10.1	Letter Agreement with Rajiv Ahuja dated July 13, 2019	8-K	10.1	July 23, 2019

* Filed with this Form 10-Q.

Table of Contents

SIGNATURES

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

STARTEK, INC.

By: /s/ Lance Rosenzweig Date: November 7, 2019
Lance Rosenzweig
President and Global CEO
(principal executive officer)

By: /s/ Ramesh Kamath Date: November 7, 2019
Ramesh Kamath
Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Lance Rosenzweig, 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 7, 2019

/s/ Lance Rosenzweig
Lance Rosenzweig
President and Global CEO

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Ramesh Kamath, certify that:

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

Date: November 7, 2019

/s/ Ramesh Kamath
Ramesh Kamath
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS

In connection with the Quarterly Report of StarTek, Inc. on Form 10-Q for the quarterly period ended September 30, 2019, 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 7, 2019

/s/ Lance Rosenzweig
Lance Rosenzweig
President and Chief Executive Officer

Date: November 7, 2019

/s/ Ramesh Kamath
Ramesh Kamath
Chief Financial Officer

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