StarTek, Inc.
Form 10-KT
March 14, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KT

(Mark One)
o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

or

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

For the transition period from April 1, 2018 to December 31, 2018

Commission file number 1-12793

StarTek, Inc.
(Exact name of registrant as specified in its charter)

Delaware	84-1370538
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification No.)

8200 E. Maplewood Ave., Suite 100

Greenwood Village, Colorado	80111
(Address of principal executive offices)	(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	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KT or any amendment to this Form 10-KT. ¨

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

Large accelerated filer o Accelerated filer x

Non-accelerated filer o Smaller reporting company x

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company o

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. o

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2018 was approximately $81.7 million. As of March 6, 2019, there were 37,537,223 shares of Common Stock outstanding.

STARTEK, INC. AND SUBSIDIARIES
2018 TRANSITION REPORT ON FORM 10-KT
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Part I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-KT contains 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,” 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. All forward-looking statements herein speak only as of the date hereof, and we undertake no obligation to update any such forward-looking statements. 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 set forth in Item 1A. “Risk Factors” appearing in this Form 10-KT.

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

ITEM 1. BUSINESS

BUSINESS OVERVIEW

Startek, Inc. (“Startek”, the Company”, “we”, “our” or “us”) is a global business process outsourcing company that provides omnichannel customer interactions, technology back-office support solutions for some of the world’s most iconic brands in a variety of vertical markets. Operating under the Startek and Aegis brands, 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 between our clients and their customers across every interaction channel and phase of the customer journey. Our solutions are supported by over 47,500 employees, delivering services from 58 locations in 13 countries on five continents. Each day, our customer experience experts work together to deliver customer experiences that are personal, meaningful, and true to our clients’ brands.

The Company was founded in 1987. At that time, our business was centered on supply chain management services, which included packaging, fulfillment, marketing support and logistics services. After our initial public offering on June 19, 1997, we increasingly focused on operating customer care contact centers and grew to include our current suite of customer experience offerings. To help us remain strategically competitive while expanding our reach with new and existing clients, we acquired several companies from 2013 to 2015, including Ideal Dialogue, Inc., Collection Center, Inc., and ACCENT Marketing Services, LLC. On July 20, 2018, the Company acquired CSP Alpha Midco Pte Ltd, a Singapore private limited company (“Aegis”), which resulted in CSP Alpha Holdings Parent Pte Ltd, a Singapore

private limited company (“Capital Square Partners or CSP”) owning a majority of the Company's outstanding shares. Capital Square Partners, a Singapore based private equity fund, which owned Aegis, is now the majority shareholder in the Company, owning approximately 56% of our outstanding shares. For more details regarding our acquisition, please refer to Note 3 which forms part of notes to consolidated financial statement included in Item 8 of this Form 10-KT. The combination greatly improved our competitive position in the market by providing us with access to many of the world’s most rapidly growing markets, multi-lingual offerings, a strong footprint, and the institution of operational excellence capabilities and industry best practices.

While we have customer engagement experience in almost every industry, we have developed tailored expertise in the telecom, media and cable, e-commerce and consumer, financial and business services and healthcare and education sectors. We serve approximately 225 clients globally, many of which are industry leaders in their respective verticals and geographies. We not only understand the industries in which our clients operate but also the unique challenges they face and the culture of the business or geography within which services are delivered. We believe our knowledge of best practices across different industries and an understanding of the solutions that can be implemented in the context of our clients’ operating environments enables us to improve

processes and performance metrics and drive measurable results that differentiate our clients from their competitors. The trust and confidence that our clients have in us is understood by the long relationships we enjoy with many of our key clients, including servicing our top five clients for more than eight years on average.

Service Offerings

Startek offers a broad range of customer experience, technology and back-office support solutions that are designed to help our clients gain competitive advantage by transforming their customer experience operations. Our solutions are highly configurable, insight driven, technology-led, and vertically specific to align with our clients' unique requirements.

Customer Engagement Consulting Services: Our suite of consulting services helps clients design, implement, and continuously optimize the ideal customer experience based on comprehensive data and analysis that shows how customers engage with brands across all touchpoints and channels. We assess the customer experience and map the customer journey to design the ideal engagement model across human, automated, and hybrid interactions. We also select and train our customer experience experts, applying proven principles of dialogue across engagement specialists and channels to analyze conversations, quality management, and customer satisfaction.

Omnichannel Engagement: Our enterprise-class omnichannel engagement services provide clients with high-end customer care, technical support, and sales solutions to help them acquire, support, retain, and grow strong customer relationships. Our solutions seamlessly integrate voice, chat, email, digital and social media channels to maximize customer satisfaction, sales, and retention. We provide these solutions from delivery campuses around the world where our customer experience experts are trained to efficiently solve problems across the customer journey, resulting in higher satisfaction, brand loyalty, sales revenue, and a stronger competitive position for our clients.

Social Media: As part of our suite of omnichannel engagement services, we provide clients with social media listening, monitoring, response, risk and reputation management, campaign activation, and community and content moderation. Our social media experts authentically engage with our clients' customers across multiple social platforms, blogs and forums, rating and review sites, and online stores. Our services use a combination of third-party tools and AegisLISA^{n}, our proprietary, omnichannel social CRM platform that tracks and monitors social conversation threads across numerous niche digital streams and helps clients derive actionable intelligence and opportunities to enhance the value of their brands from the conversation clutter.

Customer Intelligence Analytics: Our suite of customer intelligence analytics provides clients with insights and actionable information at every stage of the customer journey. We use a multi-pronged approach to help our clients better understand and predict customer behaviors and interaction preferences. Our diagnostic tools measure all dimensions of specialist behavior and its impact on key performance metrics to help reverse engineer the ideal conversation. This analysis helps clients better understand the scope, severity, impact, and root cause of underperformance. Using proprietary analytic models, we also provide the insights clients need regarding the customer experience, marketing and branding, innovation and R&D, and sales initiatives to help inform and enhance their business decisions and drive customer experience transformation.

Scientific Research: We provide clients with scientific research through our proprietary Ideal Dialogue Science Lab, the industry's first and only client-based research facility for engagement center operational knowledge and optimization. Our Science Lab picks up where data analysis leaves off by applying scientific rigor and methodology to uncover micro-issues at the conversation level that are important drivers for our clients' critical metrics. The lab maps complex relationships involving human behaviors, communicative dispositions, unique call drivers, and customer perceptions. The lab also allows clients to create, test, and validate innovative and impactful solutions using the scientific method to improve the customer experience. Through the Science Lab, clients work hand-in-hand with our

communication scientists to uncover meaningful insights in a continuous feedback loop.

Back Office Services: We provide finance and accounting services, human resource processing services, data management, and spend management services to help clients enhance their customer-centric view of relationships while maximizing operating efficiencies. Our back-office services are designed to help clients achieve their business objectives by automating repetitive processes and aligning human capital with business goals.

Receivables Management: We provide first- and third-party collections services directly for our clients in the telecommunications, cable and media, and healthcare industries. We help our clients reduce bad debt write-offs and recover past due balances in an efficient, compliant and empathetic manner, which promotes and protects our clients' brands and helps them retain customers.

Our Clients

We develop long-term relationships with global corporations and medium-sized businesses whose business complexities and customer focus require a strategic partner that can quickly and globally scale the tools, technology, and talent needed to design and deliver the desired customer experience. We provide these services to clients from our delivery campuses across North America, South America, Africa, Asia, and Australia.

As of December 31, 2018, we had a diverse client base of more than 225 clients across a variety of verticals, including companies that we believe are among the leading players in their respective industries. Approximately 48% of our revenue is derived from clients within the telecommunications industry which has resulted in a rapidly evolving environment for service providers. Our focus is on the continued diversification of the industries we serve by targeting high growth verticals such as e-commerce and consumer, financial and business services, healthcare and education and travel and hospitality. Our revenues for the nine months ended December 31, 2018 by industries served were as follows:

	Nine months ended December 31, 2018
Telecom	48%
E-commerce & Consumer	13%
Financial & Business Services	10%
Media & Cable	9%
Travel & Hospitality	9%
Healthcare & Education	5%
Energy, Power & Utility	2%
Others	4%

In the nine months ending December 2018, our top five and ten clients represented 38% and 52% of total revenue, respectively. We enter into Master Service Agreements (MSAs) that cover all our work for each client. These MSAs are typically multi-year contracts that may or may not include auto-renewal provisions. Although they typically do not include contractual minimum volumes and are generally terminable by the client without penalty upon prior written notice, our relationships with our top five clients have averaged around eight years, including multiple contract renewals for several of these clients.

Our clients' customer experience needs continue to evolve and are expanding beyond basic order processing or first-tier calls to handling complex issues requiring advanced problem-solving skills, an in-depth understanding of their customers, sourcing the relevant technology capabilities to deliver personalized customer experience (CX), and building a highly-qualified talent pool for managing the customer experience. The digital outsourcing drivers for enterprises such as access to better technology, analytics, and omnichannel solutions are increasingly becoming more important than traditional outsourcing drivers. Our clients are looking to us to provide them with next generation technology solutions to help them solve key business problems. We are investing in digital solutions, including leveraging Artificial Intelligence (AI) and Robotic Process Automation (RPA) technologies to unlock customer insights, predict customer actions, and make personalized recommendations. We are committed to delivering solutions through which we partner with our clients to achieve and deliver the desired customer experience.

Key Competitive Differentiators

Our client base is largely comprised of leading global and regional brands. We believe our vast global footprint, world-class technology, and human capital solutions powered by the science of dialogue are ideally suited for these clients. Brands increasingly look to partner with service providers who embrace customer-centricity and proactively suggest innovative solutions to transform their customer experience operations. We also believe we are well-positioned to succeed in this changing landscape and are differentiated by our insights and analytics,

technology-led innovation, and customizable engagement solutions powered by the science of dialogue. Additionally, we also believe our innovative human capital strategies and operational best practices are key competitive advantages. The successful execution of our principal corporate strategies depends on our competitive strengths, which are briefly described below:

Scale and Global Footprint

We are a truly global business with global clients, global management teams, global best practices, and global thinking. Our vast footprint provides clients with access to some of the world's most rapidly growing markets, multilingual offerings, and the institution of operational best practices across the globe. Our scale, breadth, and capabilities also support clients with global business requirements by providing engagement services in country or in geographical proximity based on their customer experience needs.

Technological Excellence
We believe that Startek provides clients with unmatched infrastructure stability. We utilize a combination of industry-best practices, internally developed tools, and a globally distributed team of engineers and support staff to centralize and standardize our worldwide delivery capabilities. This architecture enables us to deliver improved scalability and quality of delivery for our clients while lowering capital requirements and information technology operating costs. Our self-healing network, unique to the industry, also enables us to deliver every customer contact cleanly and with minimal downtime. Through automation and machine learning, we seamlessly identify fault in third-party applications and route around or drive repair. The stability of our infrastructure allows us to provide seamless contact delivery while also focusing on developing and delivering new, innovative offerings, including chatbots, artificial intelligence, and neuro-linguistic programming. Our IT solutions are not only technologically sound but also embody the principles of human communication science to ensure a better interaction experience for our clients' customers.

Operational Excellence
Our operating platform provides the core processes that allow us to be consistent in our service offering across sites and geographies. It includes execution and innovation in every area of the operation including on-boarding and enabling employees, executing against goals, evaluating and improving performance, and enhancing the total experience of our clients' customers.

Customizable Engagement Solutions
We are passionate about our clients' critical business goals. Our solution configuration is aligned with our clients' unique requirements, but more importantly, the desired outcomes they seek are to optimize sales, customer satisfaction, retention, and loyalty. We are flexible and keenly aware that designing solutions around clients' strategic goals is critical. Not only do we provide experienced management teams that bring together a trained, productive workforce, equipped with the right tools and technology, but we also provide front- and back-end analytics to develop the right solution and proprietary quality assurance tools that ensure a "closed loop" improvement cycle that is easy to measure and manage.

The Science of Dialogue
Our omnichannel engagement solutions across voice, chat, email, digital, and social media channels are designed to optimize the customer experience using the science of dialogue. Our approach is based on 50 years of human communication science research and helps clients improve customer satisfaction and net promoter scores as well as other customer-facing performance metrics. We employ a chief science officer and a team of communication scientists who study hundreds of thousands of surveys, chat recordings, and social exchanges and recommend improvements to performance. We also invented the Ideal Dialogue model and leverage it in our proprietary Ideal Dialogue Science Lab for research and development initiatives across human, automated, and hybrid channels.

Human Capital
We have more than three decades of experience managing global talent and offer a consistent, scalable, and flexible workforce that is passionate about delivering the desired customer experience while meeting or exceeding our clients' key business objectives. We consistently invest in forward-thinking strategies to attract, develop, reward, and retain top talent across our global enterprise. Our talent management processes are based on the latest strategies in the field of human capital management and are designed to create a progressive workplace where employees thrive in a culture of empowerment, inclusion, and diversity. We are highly proactive in hiring a diverse workforce and have won numerous awards for our diversity and inclusion strategies.

Strategy

We are committed to building the premier, high performance partner for the world’s finest brands while generating profitable growth for our investors. Following our recent business combination with Aegis, our clients have begun to experience the benefit of our global reach and access to new markets, multilingual offerings, and new digital solutions. We believe that the foundation for our success is strong, and we continue to expect synergies, revenue growth, and operating efficiencies from the combination. To that end, we plan to continue:

- Growing deeper, more strategic relationships with our existing global client base through our broader delivery capabilities and expanded suite of solutions;
- Pursuing new clients in high growth industries that are committed to differentiation by putting the customer experience first;
- Investing in our sales leadership to accelerate growth across a broad set of industries and geographies;
- Improving our market position by becoming the leader in customer experience management services;
- Improving profitability through operational improvements, increased utilization and higher margin accounts;
- Expanding our global delivery platform to meet our clients' needs;

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- Broadening our service offerings through more innovative, technology-enabled and added-value solutions; and
- Attracting and retaining a high performing, motivated and diverse workforce, capable of handling increasingly more complex customer issues.

Driving a superior customer experience for our clients is at the center of everything we do. Our customer experience experts are on the front lines every day working to build and maintain strong customer relationships that drive sales, satisfaction, and loyalty for our clients’ brands. We will continue to invest in our core customer experience solutions, consulting and analytics capabilities, technology-enabled platform, and human communication science research to accelerate revenue growth across the globe.

Seasonality

Our business can be seasonal depending on our clients' marketing programs and product launches, which are often geared toward the end of summer and the winter holiday buying season in the United States and during major local festival seasons across our other geographies.

Industry

The worldwide customer management business process outsourcing ("CM BPO") market is projected to grow steadily at 4.8% compounded annual growth rate ("CAGR") through 2021, according to industry research firm IDC. By the end of 2021, IDC estimates the CM BPO industry to achieve a total market size of $228 billion. Approximately 62% of the worldwide BPO spend comes from the Americas region, while Asia-Pacific region has the strongest growth (7.3% CAGR). Evolving buyer expectations to deliver next-generation CX will continue to fuel growth as brands increasingly turn to service providers to support their ongoing efforts for digital transformation.

The industry is also evolving to include key strategic elements beyond traditional contact centers and now includes CX consulting and digital CX services. Despite ongoing market consolidation through multiple mergers and acquisitions, this expanded scope of services driven by the digital CX needs of enterprises is likely to increase the market attractiveness for not only incumbent players but also for new providers with differentiated digital CX capabilities, according to industry research firm Everest Group.

Competition

The global contact center outsourcing market in which we operate is extremely competitive. While many companies provide customer engagement solutions and services, we believe no one company is dominant in the industry. The industry continues to consolidate but remains very fragmented with the five largest competitors combined capturing less than 20% of the global market.

Our competitors vary by geography and business segment and range from large, multinational corporations to smaller, narrowly-focused enterprises. Across our lines of business, the principal competitive factors include: client relationships, technology and process innovation, integrated solutions, operational performance and efficiencies, pricing, and financial strength. We primarily compete with in-house customer management operations as well as other companies that provide customer experience management, including Alorica, Concentrix, Sitel, Sykes, TTEC, Teleperformance, and Transcom, among others. We also compete with smaller, specialized companies and divisions of multinational companies such as Accenture, Conduent, Infosys, Tech Mahindra and Wipro, among others.

Many of these competitors are significantly larger than us in revenue, income, number of contact centers and customer service agents, number of product offerings and market capitalization. We believe that while smaller than many of our competitors, we are able to compete because of our focus and scale as well as our ability to add value to our clients'

businesses. Clients often select Startek to challenge these large competitors, seeking more innovation, flexibility and speed to market. Our competitive strategy is to provide clients with higher-value human, automated, and hybrid customer experience management solutions powered by the science of dialogue.

Government and Environmental Regulation

We are subject to numerous federal, state, and local laws in the countries, states, and territories in which we operate, including tax, employment, environmental and other laws that govern the way we conduct our business. There are risks inherent in conducting business internationally, including significant changes in domestic government programs, policies, regulatory requirements, and taxation with respect to foreign operations; unexpected changes in foreign government programs, policies, regulatory requirements and labor laws; and difficulties in staffing and effectively managing foreign operations.

Employees

We recognize our employees as the core of our success and provide them with learning opportunities, multicultural exposure, international work opportunities, and multiple career paths. As of December 31, 2018, we employed approximately 47,500 employees in 13 countries on five continents. Approximately 93% of our employees are located outside the United States. Approximately 8% of our employees were members of a labor union or were covered by collective bargaining agreements, most of which are mandated under national labor laws outside the United States. These agreements are subject to periodic renegotiations, and we anticipate that they will be renewed in the ordinary course of business without material impact to our business or in a manner materially different from other companies covered by such industry-wide agreements. We consider our employee relations to be good.

CORPORATE INFORMATION

Our principal executive offices are located at 8200 E. Maplewood Ave., Suite 100, Greenwood Village, Colorado 80111. Our telephone number is (303) 262-4500. Our website address is www.startek.com. Our stock currently trades on the New York Stock Exchange ("NYSE") under the symbol SRT.

Copies of our Annual Report on Form 10-KT, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) are available free of charge through our website (www.startek.com) as soon as practicable after we furnish it to the Securities and Exchange Commission (“SEC”). We also make available on the “Investor Relations” page of our corporate website, the charters for the Compensation Committee, Audit Committee and Governance and Nominating Committee of our Board of Directors, as well as our Corporate Governance Guidelines and our Code of Ethics and Business Conduct.

None of the information on our website or any other website identified herein is part of this report. All website addresses in this report are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Market and Client Related Risks

A substantial portion of our revenue is generated by a limited number of clients. The loss or reduction in business from any of these clients would adversely affect our business and results of operations.

Revenue from our five largest clients together accounted for 38% of our total revenues for the nine months period ending December 31, 2018. Any loss of business from any major client could reduce our revenue and significantly harm our business.

We may not be able to retain our principal clients. If we were to lose any of our principal clients, we may not be able to replace the revenue on a timely basis. A number of factors, other than our performance, could cause the loss of a client or reduction of business from a client. In certain cases, our business may be impacted when a large client changes its outsourcing strategy by moving more work in-house. Reduced outsourcing spending in response to a challenging economic or competitive environment may also result in our loss of a client.

The future revenue we generate from our principal clients may decline or grow at a slower rate than expected or than it has in the past. In the event we lose any of our principal clients or do not receive call volumes anticipated from these clients, we may suffer from the costs of underutilized capacity because of our inability to eliminate all of the costs associated with conducting business with that client, which could exacerbate the effect that the loss of a principal

client would have on our operating results and financial condition. Additional productivity gains could be necessary to offset the negative impact that lower per-minute revenue at higher volume levels would have on our margins in future periods.

We depend on several large clients concentrated in a few industries, as well as clients located in a few geographies. Economic slowdown or factors that affect these industries could reduce our revenues and harm our business.

A substantial portion of our clients are concentrated in the telecommunication industry. During the nine months ended December 31, 2018, we derived 48% of our total revenues from the telecommunication industry. During 2018, certain of our clients from the telecommunications industry have terminated contracts and/or reduced volumes. This has resulted in significant reduction in our revenues from the United States and have also resulted in sharp decrease in profitability. We expect to continue to experience volatility with regards to call volumes with our telecommunications clients in 2019, and the shift in client demand from customer voice experience solutions toward digital customer experience solutions may increase as digital solutions become more effective

at resolving customers’ needs. This may lower the demand for our services or impact the prices that we can obtain for our services and consequently, adversely affect our revenues and profitability. A reduction in the amount of business we receive from our clients could also result in stranded capacity and costs and adversely affect our business, results of operations and financial condition.

Economic slowdowns in some markets, particularly the United States, Saudi Arabia, India, Australia, South Africa, Malaysia and Argentina may cause reductions in spending by our clients, which may impede our ability to maintain existing business or develop new business and adversely impact our results of operations and financial condition. A downturn in any of our targeted industries, particularly the telecommunications, banking and financial services, travel and leisure industries, a slowdown or reversal of the trend to offshore business process outsourcing in any of these industries or the introduction of regulation which restricts or discourages companies from outsourcing could result in a decrease in the demand for our services and adversely affect our results of operations.

Client consolidation could result in a loss of business that would adversely affect our operating results.

The telecommunications industry has had a significant level of consolidation. We cannot assure that additional consolidations will not occur in which our clients acquire additional businesses or are acquired themselves. Such consolidations may decrease our business volume and revenue, which could have an adverse effect on our business, results of operations and financial condition.

Our contracts generally do not contain minimum purchase requirements and can generally be terminated by our customers on short notice without penalty.

We enter into written agreements with each client for our services and seek to sign multi-year contracts with our clients. However, these contracts generally permit termination upon 30 to 90 days' notice by our clients, do not designate us as our clients' exclusive outsourced services provider, do not penalize our clients for early termination, hold us responsible for work performed that does not meet predefined specifications and do not contain minimum purchase requirements or volume commitments. Accordingly, we face the risk that our clients may cancel or renegotiate contracts we have with them, which may adversely affect our results. If a principal client canceled or did not renew its contract with us, our results would suffer. In addition, because the amount of revenue generated from any particular client is generally dependent on the volume and activity of our clients' customers, as described above, our business depends in part on the success of our clients' products. The number of customers who are attracted to the products of our clients may not be sufficient or our clients may not continue to develop new products that will require our services, in which case it may be more likely for our clients to terminate their contracts with us. Clients can generally reduce the volume of services they outsource to us without any penalties, which would have an adverse effect on our revenue, results of operations and overall financial condition.

Our strategy depends on companies continuing to outsource non-core services.

Some of our clients have been decreasing the number of firms they rely on to provide outsourced services. Due to financial uncertainties and the potential reduction in demand for our clients' products and services, our clients and prospective clients may decide to further consolidate the number of firms on which they rely for outsourced services. Under these circumstances, our clients may cancel current contracts with us, or we may fail to attract new clients, which will adversely affect our financial condition.

Intense competition in the market for outsourcing services could affect our win rates and pricing, which could reduce our share of business from clients and decrease our revenues and/or our profits.

Our revenues and profits depend, in part, upon the continued demand for our services by our existing and new clients and our ability to meet this demand in a competitive and cost-effective manner. The outsourcing services market is highly competitive. Our competitors include large global outsourcing and technology firms, regional outsourcing services firms, software and solution providers, niche service providers and in-house customer support services departments of large corporations.

The outsourcing services industry is experiencing rapid changes that are affecting the competitive landscape, including recent divestitures and acquisitions that have resulted in consolidation within the industry. These changes may result in larger competitors with significant resources or competitors with more competitive service offerings in emerging areas of demand, such as digital solutions, cloud based solutions and artificial intelligence based solutions. In addition, some of our competitors have added offshore capabilities to their service offerings. These competitors may be able to offer their services using the offshore and onsite model more efficiently. Many of these competitors are also substantially larger than us and have more diversified infrastructure and contact center locations than us. We may face competition in countries where we currently operate, as well as in countries in which we expect to expand our operations. Many of our competitors have significantly greater financial, technical and marketing resources, generate greater revenues, have more extensive existing client relationships and technology partnerships and have greater brand recognition than we do. We may be unable to compete successfully against these competitors or may lose clients to these competitors.

Additionally, our ability to compete effectively also depends in part on factors outside our control, such as the price at which our competitors offer comparable services, and the extent of our competitors’ responsiveness to their clients’ needs. Moreover, our ability to maintain or increase pricing is restricted as clients often expect that as we do more business with them, they will receive volume discounts or lower rates. In addition, existing and new customers are also increasingly using third-party consultants with broad market knowledge to assist them in negotiating contractual terms. Any inability to maintain or increase pricing on account of this practice may also adversely impact our revenues, gross profits, operating margins and results of operations.

Risks arising from the investments we make in anticipation of and to maintain our growth

Our business relies heavily on technology and computer systems, which subjects us to various uncertainties, damage or disruptions within or beyond our control

We have invested in sophisticated and specialized telecommunications and computer technology and have focused on the application of this technology to meet our clients' needs. We anticipate that it will be necessary to continue to invest in and develop new and enhanced technology on a timely basis to maintain our competitiveness. There can be no assurance that any of our information systems will be adequate to meet our future needs or that we will be able to incorporate new technology to enhance and develop our existing services. There can be no assurance that any technology or computer system will not encounter outages or disruptions. Any significant failure, damage or destruction of our equipment or systems, or any major disruptions to basic infrastructure such as power and telecommunications systems in the locations in which we operate, could impede our ability to provide services to our clients and thus adversely affect their businesses, have a negative impact on our reputation and may cause us to incur substantial additional expenses to repair or replace damaged equipment or facilities. Our future success will also depend in part on our ability to anticipate and develop information technology solutions, controls, and processes that keep pace with evolving industry standards, changing client demands, and increasing risks.

Our business will be adversely affected if we fail to enhance existing services or anticipate and develop new services and effectively manage the rapid changes in the use of technology.

The outsourcing and technology services market is characterized by rapid technological change leading to automation of services, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new service offerings to meet client needs. We may fail to anticipate or respond to these advances on a timely basis, or, if we do respond, the services or technologies that we develop may not be successful in the marketplace and may need significant investments. We are working to develop several new solutions involving artificial intelligence-based automation, robotic process automation, social media analytics and other technologies both inhouse and in partnership with smaller companies that have developed niche expertise in these technologies. The complexity of these solutions, our inexperience in developing or implementing them and significant competition in the markets for these solutions may affect our ability to market these solutions successfully. In addition, the development of some of the services and technologies may involve significant upfront investments and the failure of these services and technologies may result in our inability to recoup some or all of these investments. Further, better or more competitively priced products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

Our operating results may be adversely affected if we are unable to maximize our facility capacity utilization.

Our profitability is influenced by our facility capacity utilization. The majority of our business involves technical support and customer care services initiated by our clients' customers, and as a result, our capacity utilization varies, and demands on our capacity are, to some degree, beyond our control. We continuously anticipate and forecast business growth and infrastructure requirements and may invest in new facilities with or without contracted business

from such facilities. We have experienced, and in the future may experience periods of idle capacity from opening new facilities where forecasted volume levels do not materialize. In addition, we have experienced, and in the future may experience idle peak period capacity when we open a new facility or terminate or complete a large client program. These periods of idle capacity may be exacerbated if we expand our facilities or open new facilities in anticipation of new client business because we generally do not have the ability to require a client to enter into a long-term contract or to require clients to reimburse us for capacity expansion costs if they terminate their relationship with us or do not provide us with anticipated service volumes.

We assess the expected long-term capacity utilization of our facilities and may consolidate or close under-performing facilities in order to maintain or improve targeted utilization and margins. We may incur impairment losses and restructuring charges in future years as a result of closing facilities. There can be no assurance that we will be able to achieve or maintain optimal facility capacity utilization.

If client demand declines due to economic conditions or otherwise, we may not be able to leverage our fixed costs as effectively, which would have a material adverse effect on our results of operations and financial condition.

Adverse changes to our relationships with the companies with whom we have an alliance or joint venture or in the business of the companies with whom we have an alliance or joint venture could adversely affect our results of operations.

We have a joint venture with a large telecom operator in the Kingdom of Saudi Arabia. The priorities and objectives of the joint venture partner may differ from ours. In addition, the joint venture partner is the largest client of the joint venture entity. An adverse economic environment leading to adverse conditions at the joint venture partner's business could lead to lower volumes for us and may adversely affect our results of operations. Any renegotiation in the terms of the joint venture agreement that are detrimental to us relative to the current shareholder agreement between the joint venture parties could also have adverse impact on our financials. Termination of the contract with the joint venture partner entity could significantly hamper our operations in the Kingdom of Saudi Arabia and would have a significant adverse impact on the consolidated results of our operations.

Goodwill that we carry on our balance sheet could be subjected to significant impairment charges in the future.

As a result of two significant business combinations, we carry a significant amount of goodwill on our balance sheet. Goodwill is subject to impairment review at least annually. Impairment testing under US Generally Accepted Accounting Principles may lead to impairment charges in the future. Any significant impairment charges could have a material adverse effect on our results of operations.

We have and may incur material restructuring charges in the future.

We continually evaluate ways to reduce our operating expenses and adapt to changing industry and market conditions through new restructuring opportunities, including more effective utilization of our assets, workforce, and operating facilities. We have recorded restructuring charges in the past related to involuntary employee terminations, facility closures, and other restructuring activities, and we may incur material restructuring charges in the future. The risk that we incur material restructuring charges may be heightened during economic downturns, if clients' demand, preferences or expectations change rapidly, or with expanded global operations.

Operations Related Risks

Failure to attract and retain key management personnel may adversely impact our strategy execution and financial results.

Our ability to attract, successfully integrate and retain key management personnel could have a significant impact on our ability to compete or to execute on our business strategy. Changes in key management personnel may temporarily disrupt our operations as the new management becomes familiar with our business. Accordingly, our future financial performance will depend to a significant extent on our ability to attract, motivate and retain key management personnel.

If we are not able to hire and retain qualified employees, our ability to service our existing customers and retain new customers will be adversely affected.

Our success is largely dependent on our ability to recruit, hire, train and retain qualified employees. Our business is labor intensive and, as is typical for our industry, continues to experience high personnel turnover. Our operations, especially our technical support and customer care services, generally require specially trained employees, which, in

turn, requires significant recruiting and training costs. Such turnover adversely affects our operating efficiency, productivity and ability to fully respond to client demand, thereby adversely impacting our operating results. Some of this turnover can be attributed to the fact that we compete for labor not only with other call centers but also with other similar-paying jobs, including retail, services industries, food service, etc. As such, improvements in the local economies in which we operate can adversely affect our ability to recruit agents in those locations. Further increases in employee turnover or failure to effectively manage these high attrition rates would have an adverse effect on our results of operations and financial condition.

The addition of new clients or implementation of new projects for existing clients may require us to recruit, hire, and train personnel at accelerated rates. We may not be able to successfully recruit, hire, train, and retain sufficient qualified personnel to adequately staff for existing business or future growth, particularly if we undertake new client relationships in industries in which we have not previously provided services. Because a substantial portion of our operating expenses consists of labor-related costs, labor shortages or increases in wages (including minimum wages as mandated by the federal governments, employee benefit costs, employment tax rates, and other labor related expenses) could cause our business, operating profits, and financial condition to

suffer. Economic and legislative changes in the U.S. may encourage organizing efforts in the future which, if successful, could further increase our recruiting and training costs and could decrease our operating efficiency and productivity.

Our operating costs may increase as a result of higher labor costs or increase in minimum wages.

We have sought to contain our labor costs by limiting salary increases and payment of cash bonuses to our employees. The local economies in some of the locations in which we operate may experience growth, which causes pressure on labor rates to remain competitive within the local economies. If these growth trends continue, we may need to further increase salaries or otherwise compensate our employees at higher levels in order to remain competitive. Recent legislation with respect to raising the minimum wage has been passed in certain U.S. states in which we operate, which will likely lead to higher wages in certain facilities. Higher salaries or other forms of compensation are likely to increase our cost of operations. If such increases are not offset by increased revenue, they will negatively impact our financial results.

Wage costs in offshore delivery locations such as India and Philippines have historically been significantly lower than wage costs in the United States for comparably skilled professionals, which has been one of our competitive strengths. Offshore outsourcing is a politically sensitive topic in the US and elsewhere. There have been increased expression of concern by many organizations and public figures about a perceived association between offshore outsourcing providers and the loss of jobs in their home countries. Recently there has been an indication that immigration regulations in United States could undergo significant changes that may require us to substitute offshoring with local hires in the United States. Such hiring could result in overall increased wage costs thereby impacting profitability.

Additionally, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We have historically experienced significant competition for employees from large multinational companies that have established and continue to establish offshore operations in India, as well as from companies within India. This competition has led to wage pressures in attracting and retaining employees, and these wage pressures have led to a situation where wages in India are increasing at a faster rate than in the United States.

Employee strikes, collective bargaining agreements and other labor-related disruptions may adversely affect our operations.

In certain geographies, like Argentina, our workforce is part of collective bargaining agreements which require us to negotiate wage hikes with labor unions. Our inability to negotiate favorable wage hikes for us or our inability to pass on these wage hikes completely to our customers in the form of increased pricing will adversely impact our profitability and operating margins. In the past, some of our employees in other geographies have attempted to organize a labor union, and economic and legislative changes may encourage organizing efforts in the future, which, if successful, could further increase our recruiting and training costs and could decrease our operating efficiency and productivity. We cannot assure that there will not be any strike, lock out or material labor dispute in the future. Work interruptions or stoppages could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We are also a party to various labor disputes and potential disputes. If our provisions for any of our labor claims are insufficient or the claims against us rise significantly in the future, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increases in the cost of telephone and data services or significant interruptions in such services could adversely affect our business.

We depend on telephone and data services provided by various local and long-distance telephone companies. Because of this dependence, any change to the telecommunications market that would disrupt these services or limit our ability to obtain services at favorable rates could affect our business. For example, the concentration and bargaining power of technology and telecommunications suppliers, most of which are beyond our control or which we cannot predict, could increase the cost of telecommunication services. We have taken steps to mitigate our exposure to the risks associated with rate fluctuations and service disruption by entering into long-term contracts with various providers for telephone and data services and by investing in redundant circuits. There is no obligation, however, for the vendors to renew their contracts with us or to offer the same or lower rates in the future, and such contracts are subject to termination or modification for various reasons outside of our control.

In addition, there is no assurance that a redundant circuit would not also be disrupted. A significant increase in the cost of telephone services that is not recoverable through an increase in the price of our services or any significant interruption in telephone services, could adversely affect our business.

Our foreign operations subject us to the risk of currency exchange fluctuations.

Although most of our revenue and costs are in local currency of the geography we operate in, we do run a currency risk because we deliver a portion of our business in an offshore location relative to the location of our clients. In such offshore deals, in certain geographies revenue is generated in U. S. Dollars but operating costs are paid in local currencies. Thus, we are exposed to market risk from changes in the value of these currencies to the US dollar. We engage in hedging activities relating to our exposure to such fluctuations in the value of the Canadian dollar and the Philippine peso. Our term lenders require us to enter into foreign currency range forward contracts with regards to Indian rupee, Malaysian ringgit and Australian dollar relative to the US dollar. These forward contract hedges are not designated hedges under ASC 815, Derivatives and Hedging. Our hedging strategy, including our ability to acquire the desired amount of hedge contracts, may not sufficiently protect us from strengthening of these currencies against the U.S. dollar.

Some of the countries we have presence in have experienced inflation and volatility in the past and some Latin American countries have recently been classified as hyperinflationary economies. While inflation may not have a significant effect on the profit and loss of a local subsidiary itself, depreciation of the local currency against the U.S. dollar would reduce the value of the dividends payable to us from our operating companies. We report our financial results in U.S. dollars and our results of operations would be adversely affected if these local currencies depreciate significantly against the U.S. dollar, which may also affect the comparability of our financial results from period to period, as we convert our subsidiaries' statements of financial position into U.S. dollars from local currencies at the period end exchange rate, and income and cash flow statements at average exchange rates for the year.

We may incur losses due to unanticipated or significant intra quarter movements in currency markets which could have an adverse impact on our profit margin and results of operations. Also, the volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively.

Changes in tax laws in the geographies we operate in could have an adverse impact on our financial results.

Due to the global nature of our operations, we are subject to the complex and varying tax laws and rules of several jurisdictions and have material tax-related contingent liabilities that are difficult to predict or quantify. In preparing our financial statements, we calculate our effective income tax rate based on current tax laws and regulations and our estimated taxable income within each of these jurisdictions. The Tax Cut and Jobs Act adopted by the United States in 2017 has significant changes to the tax laws applicable to us including a reduction in the corporate tax rate to 21%, the enactment of 100% depreciation expensing for capital expenditures and other items. During 2019, we expect to repatriate our future non-U.S. earnings to the United States and will pay non-U.S. withholding taxes associated with such repatriation.

We are also subject to tax audits, including with respect to transfer pricing, in the United States and other jurisdictions and our tax positions may be challenged by tax authorities. Although we believe that our current tax provisions are reasonable and appropriate, there can be no assurance that these items will be settled for the amounts accrued, that additional tax exposures will not be identified in the future or that additional tax reserves will not be necessary for any such exposures. Any increase in the amount of taxation incurred as a result of challenges to our tax filing positions could result in a material adverse effect on our business, results of operations and financial condition. We continuously review the potential impacts of the recent changes; however, we cannot predict any future tax law changes which could have an impact on our future tax liabilities.

The governments of jurisdictions where we have a presence could enact new tax legislation which would have a material adverse effect on our business, results of operations and financial condition. In addition, our ability to repatriate surplus earnings from our delivery centers in a tax-efficient manner is dependent upon interpretations of local laws, possible changes in such laws and the renegotiation of existing double tax avoidance treaties. Changes to

any of these may adversely affect our overall tax rate, or the cost of our services to our clients, which would have a material adverse effect on our business, results of operations and financial condition.

We are subject to transfer pricing and other tax related regulations and any determination that we have failed to comply with them could materially adversely affect our profitability.

Transfer pricing regulations to which we are subject require that any international transaction among our company and its subsidiaries be on arm's-length terms. We believe that the international transactions among the Startek group companies are on arm's-length terms. If, however, the applicable tax authorities determine that the transactions among the Startek group companies do not meet arm's-length criteria, we may incur increased tax liability, including accrued interest and penalties. This would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows.

Our existing debt may affect our flexibility in operating and developing our business and our ability to satisfy our obligations.

As of December 31, 2018, we had total indebtedness of $185,691. Our level of indebtedness may have significant negative effects on our future operations, including:

- impairing our ability to obtain additional financing in the future (or to obtain such financing on acceptable terms) for working capital, capital expenditure, acquisitions or other important needs;
- requiring us to dedicate a substantial portion of our cash flow to the payment of principal and interest on our indebtedness, which could impair our liquidity and reduce the availability of our cash flow to fund working capital, capital expenditure, acquisitions and other important needs;
- increasing the possibility of an event of default under the financial and operating covenants contained in our debt instruments; and
- limiting our ability to adjust to rapidly changing conditions in the industry, reducing our ability to withstand competitive pressures and making us more vulnerable to a downturn in general economic conditions or business than our competitors with less debt.

If we are unable to generate sufficient cash flow from operations to service our debt, we may be required to refinance all or a portion of our existing debt or obtain additional financing. We can provide no assurance that any such refinancing would be possible or that any additional financing could be obtained. Our inability to obtain such refinancing or financing may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our financing agreements impose debt covenants which are to be fulfilled by the Company and/or its subsidiaries failing which may have detrimental impact on the potential growth and results of operations.

Our secured revolving credit facility and the senior term loan facility agreement entered by our subsidiaries contains certain affirmative and negative covenants that may limit or restrict our ability to engage in certain activities, including but not limited to, making certain investments, limiting capital expenditures, incurring additional indebtedness, and engaging in mergers and acquisitions. If we are not able to meet these covenants, our ability to respond to changes in the business or economic conditions may be limited, and we may be unable to engage in certain activities that otherwise may be beneficial to our business. We can provide no assurance that we will be able to meet the financial covenants under our credit facility, or that in the event of noncompliance, we will be able to obtain waivers or amendments from our lenders. If we fail to comply with the terms of the agreement, our lender could decide to call any amounts outstanding immediately, and there can be no assurance that we would have adequate resources or collateral to satisfy the demand. Any such scenario would have a material adverse impact on our financial condition.

If we are unable to fund our working capital requirements and new investments, our business, financial condition, results of operations and prospects could be adversely affected.

The outsourcing industry is characterized by high working capital requirements and the need to make new investments in operating sites and employee resources to meet the requirements of our clients. We incur significant startup costs related to investments in infrastructure to provide our services and the hiring and training of employees, such expenses being historically incurred before revenue is generated.

In addition, we are exposed to adverse changes in our key clients' payment policies, which could have a material adverse impact on our ability to fund our working capital needs. During the nine months ended December 31, 2018, our average days sales outstanding ("DSO") was approximately 74 days. If our key clients implement policies which extend the payment terms of our invoices, our working capital levels could be adversely affected and our finance costs may increase. If we are unable to fund our working capital requirements, access financing at competitive prices or

make investments to meet the expanding business of our existing and potential new clients, our business, financial condition, results of operations and prospects could be adversely affected.

Regulatory and related risks

Cyberattacks or the improper disclosure or control of personal information could result in liability and harm our reputation, which could adversely affect our business.

We are dependent on networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners and clients and we may be required to store sensitive or confidential client data in connection with the services we provide. As a result, we are subject to contractual terms and numerous U.S. and foreign laws and regulations designed to protect this information. Furthermore, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Although

we have implemented appropriate policies and procedures to reduce the possibility of physical, logical and personnel security breaches, along with appropriate audit oversight for verifying continued operating effectiveness of the same through internal audits and external SSAE16 and PCI-DSS reviews, no such measures can completely eliminate the risk of cybersecurity attacks, especially in light of advances in criminal capabilities (including cyber-attacks or cyber intrusions over the internet, malware, computer viruses and the like), discovery of new vulnerabilities or attempts to exploit existing vulnerabilities in interconnected third party systems that are beyond our control systems.

Unauthorized disclosure, either actual perceived, of sensitive or confidential client or customer data, whether through systems failure, system intrusion, employee negligence, fraud or otherwise could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, could result in negative publicity, legal liability and damage to our reputation, business, financial condition, results of operations and cash flows.

While to date the Company has not experienced a significant compromise, significant data loss or material financial losses related to cyber security attacks that has had an adverse effect on our operations, there is no assurance that there may not be a material adverse effect in the future. Although we maintain cyber liability insurance, such insurance may not adequately or timely compensate us for all losses we may incur as any of our client contracts do not contain limitations of liability for such losses.

Our foreign operations are subject to social, political and economic risks that differ from those in the United States.

We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During the nine months ended December 31, 2018, we generated approximately 82% or $344 million of our revenue from operations outside the United States. Circumstances and developments related to foreign operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

- difficulties and costs of staffing and managing operations in certain regions;
- differing employment practices and labor issues;
- local business and cultural factors that differ from our usual standards and practices;
- volatility in currencies;
- currency restrictions, which may prevent the transfer of capital and profits to the United States;
- unexpected changes in regulatory requirements and other laws;
- potentially adverse tax consequences;
- the responsibility of complying with multiple and potentially conflicting laws, e.g., with respect to corrupt practices, employment and licensing;
- the impact of regional or country-specific business cycles and economic instability;
- political instability, uncertainty over property rights, civil unrest, political activism or the continuation or escalation of terrorist activities; and
- access to capital may be more restricted, or unavailable on favorable terms or at all in certain locations.

Our global growth (including growth in new regions in the United States) also subjects us to certain risks, including risks associated with funding increasing headcount, integrating new offices, and establishing effective controls and procedures to regulate the operations of new offices and to monitor compliance with regulations such as the Foreign Corrupt Practices Act and similar laws.

Although we have committed substantial resources to expand our global platform, if we are unable to successfully manage the risks associated with our global business or to adequately manage operational fluctuations, our business, financial condition and results of operations could be harmed.

We process, transmit and store personally identifiable information and unauthorized access to or the unintended release of this information could result in a claim for damage or loss of business and create unfavorable publicity.

We process, transmit and store personally identifiable information, both in our role as a service provider and as an employer. This information may include social security numbers, financial and health information, as well as other personal information. As a result, we are subject to certain contractual terms as well as federal, state and foreign laws and regulations designed to protect personally identifiable information. We take measures to protect against unauthorized access and to comply with these laws and regulations. We use the Internet as a mechanism for delivering our services to clients, which may expose us to potential disruptive intrusions. Unauthorized access, system denials of service, or failure to comply with data privacy laws and regulations may subject us to contractual liability and damages, loss of business, damages from individual claimants, fines, penalties, criminal prosecution and unfavorable publicity, any of which could negatively affect our operating results and financial condition. In addition, third party vendors that we engage to perform services for us may have an unintended release of personally identifiable information.

We are required to comply with laws governing the transmission, security and privacy of protected health information.

We are required to comply with applicable laws governing the transmission, security and privacy of health information, including, among others, the standards of The Health Insurance Portability and Accountability Act (“HIPAA”). The failure to comply with any of these laws could make it difficult to expand our health care business process outsourcing business and/or cause us to incur significant liabilities.

The failure to comply with debt collection and consumer credit reporting regulations could subject us to fines and other liabilities, which could harm our reputation and business, and could make it more difficult for us to retain existing customers or attract new customers.

The Fair Debt Collection Practices Act ("FDCPA") regulates persons who regularly collect or attempt to collect, directly or indirectly, consumer debts owed or asserted to be owed to another person, which includes our debt collection business. Many states impose additional requirements on debt collection communications and some of those requirements may be more stringent than the federal requirements. In addition, many U.S. states require a debt collector to apply for, be granted and maintain a license to engage in debt collection activities in a state. We are currently licensed (or exempt from licensing requirements) to provide debt collection services in most U.S. states. Moreover, regulations governing debt collection are subject to changing interpretations that may be inconsistent among different jurisdictions. We could be subject to fines or other penalties if we are determined to have violated the FDCPA, the Fair Credit Reporting Act or analogous state laws, which could make it more difficult to retain existing customers or attract new customers and could otherwise harm our business.

Argentina has undergone significant political, social and economic instability in the past several years, and if such instability continues or worsens, our Argentine operations could be materially adversely affected.

During the nine months ended December 31, 2018, our Argentina operations accounted for 9.1% of our total revenue. Argentina has been facing economic difficulty for the past several years. Since 2015, the Argentine economy has experienced a recession, as well as a political and social crisis, and the significant depreciation of the Argentine peso against major international currencies. Depending on the relative impact of other variables affecting our operations, including technological changes, inflation, gross domestic product (“GDP”) growth, and regulatory changes, the continued depreciation of the Argentine peso may have a negative impact on our business in Argentina.

The country has been experiencing high inflation in recent years and there can be no assurance that Argentina will not experience another recession, higher inflation, devaluation, unemployment and social unrest in the future.

In the past, Argentina has been under a severe exchange control system that required government approval for any transfer of funds. Although the current administration, elected on December 10, 2015, had taken measures to lift foreign exchange controls there can be no assurance that the Argentine government will not impose new restrictions on the transfer of funds from Argentina to preserve and protect foreign exchange reserves. If we are unable to repatriate funds from Argentina for whatever reason, we will not be able to use the cash flow from our Argentine operations to finance our operating requirements elsewhere or to satisfy our debt obligations.

Market Related Risks

Our largest stockholder has the ability to significantly influence corporate actions.

Capital Square Partners (“CSP”), a Singapore-based private equity fund, is our principal shareholder following the combination of Aegis and the Company. CSP owns approximately 56% of our outstanding stock. The Stockholders

Agreement dated July 20, 2018, gives CSP the right to appoint majority directors on our Board of Directors including the Chairman of the Board of Directors. Currently there are four Directors appointed by CSP, including the Chairman.

CSP has a continuing ability to exercise significant influence over our affairs for the foreseeable future, including controlling the election of directors and significant corporate transactions, such as a merger or other sale of our Company or our assets. This concentrated control by CSP limits the ability of other shareholders to influence corporate matters and, as a result, we may take actions that our other shareholders do not view as beneficial.

Future equity issuances may dilute the holdings of ordinary shareholders and could materially affect the market price of our ordinary shares.

We may in the future decide to offer additional equity to raise capital or for other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of our ordinary shares, as well as our earnings per ordinary share and net asset value per ordinary share. Future sales of substantial amounts of our ordinary shares in the public market, whether by us or by our existing shareholders, or the perception that sales could occur, may adversely affect the market price of our shares, which could decline significantly.

Our stock price has been volatile and may decline significantly and unexpectedly.

The market price of our common stock has been volatile, and could be subject to wide fluctuations, in response to quarterly variations in our operating results, changes in management, the degree of success in implementing our business and growth strategies, announcements of new contracts or contract cancellations, announcements of technological innovations or new products and services by us or our competitors, changes in financial estimates by securities analysts, the perception that significant stockholders may sell or intend to sell their shares, or other events or factors we cannot currently foresee. We are also subject to broad market fluctuations, given the overall volatility of the current U.S. and global economies, where the market prices of equity securities of many companies experience substantial price and volume fluctuations that have often been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of our common stock. Additionally, because our common stock trades at relatively low volume levels, any change in demand for our stock can be expected to substantially influence market prices thereof.

If Amazon exercises its right to acquire shares of our common stock pursuant to the Warrant, it will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our stock.

On January 23, 2018, we entered into a Transaction Agreement (the “Amazon Transaction Agreement”) with Amazon.com, Inc. ("Amazon"). Pursuant to which we agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon, a warrant (the “Warrant”) to acquire up to 4,000,000 shares of our common stock, subject to certain vesting events. If Amazon exercises its right to acquire shares of our common stock pursuant to the Warrant, it will dilute the ownership interests of our then-existing stockholders and reduce our earnings per share. In addition, any sales in the public market of any common stock issuable upon the exercise of the Warrant by Amazon could adversely affect prevailing market prices of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2018, we had operating centers in the following cities, containing in the aggregate approximately 2,745 thousand square feet:

Country	Number of Facilities	Total (Thousand Sq. Ft.)
US	12	408
Canada	1	49
Philippines	4	322
Honduras	3	270
Caribbean	1	25
Argentina	5	140
India	22	1,028
Malaysia	3	140
Sri Lanka	1	24
Peru	1	14
South Africa	2	92
Australia	1	52
Saudi Arabia	2	181
Total	58	2,745

All the above facilities are leased. Sites that are not currently operating as of December 31, 2018 are not included in the list above.

Substantially all of our facility space can be used to support any of our business process outsourced services. We believe our existing facilities are adequate for our current operations. We intend to maintain efficient levels of excess capacity to enable us to readily provide for needs of new clients and increasing needs of existing clients.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON STOCK

Our common stock has been listed on the NYSE under the symbol "SRT" since the effective date of our initial public offering on June 19, 1997.

HOLDERS OF COMMON STOCK

As of March 6, 2019, there were approximately 22 record holders and 37,537,223 shares of common stock outstanding. See Item 1A. “Risk Factors,” set forth in this Form 10-KT for a discussion of risks related to control that may be exercised over us by our principal stockholders.

DIVIDEND POLICY

On January 22, 2007, our board of directors announced it would not declare a quarterly dividend on our common stock in the first quarter of 2007 and did not expect to declare dividends in the near future, making the dividend paid in November 2006 the last quarterly dividend that will be paid for the foreseeable future. We plan to invest in growth initiatives and pay down debt in lieu of paying dividends.

STOCK REPURCHASE PROGRAM

Effective November 4, 2004, our board of directors authorized repurchases of up to $25 million of our common stock. The repurchase program will remain in effect until terminated by the board of directors and will allow us to repurchase shares of our common stock from time to time on the open market, in block trades and in privately-negotiated transactions. Repurchases will be implemented by the Chief Financial Officer consistent with the guidelines adopted by the board of directors and will depend on market conditions and other factors. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. Any repurchases will be made in accordance with SEC rules. As of the date of this filing, no shares have been repurchased under this program.

ITEM 6. SELECTED FINANCIAL DATA

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the accompanying Consolidated Financial Statements included elsewhere in this annual report.

OVERVIEW

Startek is a global business process outsourcing company that provides omnichannel customer interactions, technology and back-office support solutions for some of the world's most iconic brands in a variety of vertical markets. Operating under the Startek and Aegis brands, 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

Amazon Agreement

On January 23, 2018, we and Amazon.com, Inc. ("Amazon") entered into a transaction agreement, pursuant to which we issued to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon, a warrant to acquire up to 4,000,000 shares (the "Warrant Shares") of our common stock, subject to certain vesting events. We and Amazon entered into the transaction agreement in connection with existing commercial arrangements pursuant to which we provide and will continue to provide commercial services to Amazon. The vesting of the Warrant Shares is linked to payments made by Amazon or its affiliates (directly or indirectly through third parties) pursuant to the existing commercial arrangements, with full vesting tied to Amazon's payment of up to $600 million to us in connection with Amazon's receipt of commercial services from us.

Aegis Transaction Agreement

On March 14, 2018 we entered into a Transaction Agreement, which was subsequently amended by the parties on July 3, 2018 (as so amended, the "Aegis Transaction Agreement"), with CSP Alpha Midco Pte Ltd, a Singapore private limited company ("Aegis"), and CSP Alpha Holdings Parent Pte Ltd, a Singapore private limited company (the "Aegis Stockholder"). Pursuant to the Aegis Transaction Agreement, we, Aegis and the Aegis Stockholder agreed to, among other things: (1) the sale of all of the issued and outstanding shares of the common stock of Aegis by the Aegis Stockholder to us; (2) the issuance of 20,600,000 shares, as may be adjusted for stock splits, consolidation and other similar corporate events, of our common stock in consideration of such sale; (3) the amendment of our Restated Certificate of Incorporation, as amended from time to time, in order to effect such issuance; and (4) in addition to the transactions set forth above, the purchase at the closing of 166,667 additional shares of our common stock by the Aegis Stockholder, for $2 million at a price of $12 per share, subject to adjustment as set forth in the Aegis

Transaction Agreement.

The closing of the transactions contemplated by the Aegis Transaction Agreement occurred on July 20, 2018. As a result, Aegis became a wholly-owned subsidiary of us. In December 2018, the Aegis Stockholder subscribed an additional 368,098 shares at a price of $6.52 per share taking its holding to approximately 56% of our outstanding common stock.

Restructuring

In conjunction with the closing of the Aegis Transactions, we implemented a company-wide restructuring plan. As part of the plan, we eliminated a number of positions which were considered redundant, renegotiated various vendor contracts, optimized site operations and terminated various leases. For more details on this, please refer to note 7 which form part of notes to consolidated financial statement included in Item 8 of this Form 10-KT.

New Facilities

In January 2019, we opened our third center in Honduras which was inaugurated by the honorable President Juan Orlando

Hernández. This is our second delivery campus in Tegucigalpa and will offer omni-channel customer experience management and back office BPO services.

In January 2018, we entered into a lease agreement for a new facility in Kingston, Jamaica. This site will become operational in mid-2019 and is a replacement to our existing site in Jamaica.

Site Closures

In 2018, we ceased operations in two facilities located in Colorado. Accordingly, we recorded a restructuring reserve of $3.5 million for employee related and facility related costs. The restructuring plan will be completed by first quarter 2021.

RESULTS OF OPERATIONS — NINE MONTHS ENDED DECEMBER 31, 2018 AND YEAR ENDED MARCH 31, 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.

Aegis previously followed a March 31 fiscal year end. Upon filing of the 8-K/A on October 5, 2018, the fiscal year end of the Company was changed back to December 31 by the Board of Directors. Consequently, the fiscal year ending December 31, 2018 comprises of 9-months of operations from April 1, 2018 to December 31, 2018. The previous fiscal year comprised of 12-months of operations from April 1, 2017 to March 31, 2018. Therefore, the financials discussed below are not strictly comparable as they represent unequal time frames.

The consolidated financial statements for March 2018 have been prepared on "Successor" and "Predecessor" basis. For periods prior to the ESMHL and its Subsidiaries acquisition by Aegis, the Company is referred to as the "Predecessor" and for periods after the acquisition, it is referred to as the "Successor".

Revenue

Our revenues for the nine months ended December 31, 2018 stood at $420,317 as compared to $480,077 for the twelve months ended March 31, 2018. Revenues for the current period include combined revenues of Aegis and Startek after the consummation of the Aegis transaction on July 20, 2018. Excluding revenues of legacy Startek, the revenues for the nine months period ended December 31, 2018 stood at $314,131.

The breakdown of our revenues from various industry verticals for nine months period ended December 31, 2018 and twelve months period ended March 31, 2018 is as follows:

	Nine months ended December 31, 2018		Twelve months ended March 31, 2018
Telecom	48	%	63%

E-commerce & Consumer	13 %	8%
Financial & Business Services	10 %	11%
Media & Cable	9%	3%
Travel & Hospitality	9%	8%
Healthcare & Education	5%	2%
Energy, Power & Utility	2%	2%
Others	4 %	3 %

During the nine months period ended December 31, 2018, we experienced adverse impact on the revenues from the Telecommunications industry. There was a significant decrease in call volumes and in some cases our clients shifted programs in-house. The telecommunications industry worldwide has been facing pressures on volumes due to automation and increased pressures of digitization. There has been an increasingly competitive environment in India, one of our key geographies, where one major telecom player has been disrupting the market for all the other incumbent players which has also impacted our business.

We expect to continue to experience volatility with certain of our large clients in the telecommunications industry in 2019.

We have been growing steadily in the retail and e-commerce industry, which also includes a key client with whom we have a strategic agreement. We have added new and marquee clients in the retail and e-commerce industry vertical across geographies and continue our focus to add new programs for existing clients in this industry vertical.

Cable and media is a key industry vertical for us with some of our largest clients from this industry. We have added more programs in our Honduras and Philippines delivery centers for our cable clients in 2018.

Our travel, hospitality & leisure clients continue to increase volumes and we also added a couple of new clients in this industry vertical in Malaysia and India.

Cost of Services and Gross Profit

Overall, cost of services as a percentage of revenue decreased to 84.6% for the nine months ended December 31, 2018 as compared to 85.3% for the twelve months ended March 31, 2018. Employee benefit expense, rent costs and Depreciation and amortization are the most significant costs for the Company, representing 73.9%, 4.9% and 4.3% of total Cost of services, respectively. The breakdown of cost of services is listed in the table below:

		Successor	Predecessor	As % of sales	
	For nine months ended December 31, 2018	November 22, 2017 to March 31, 2018	April 01, 2017 to November 21, 2017	Current period	Prior period
Employee benefit expenses	$ 262,956	$ 110,034	$ 200,761	62.6 %	64.7%
Rent	17,290	8,284	9,894	4.1%	3.8%
Depreciation & Amortization	15,300	7,266	9,267	3.6%	3.4%
Others	60,045	18,334	45,848	14.3 %	13.4%
Total	$ 355,591	$ 143,918	$ 265,770		

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

For the nine months ended December 31, 2018, Employee benefit expenses as a percentage of revenues reduced to 62.6% as compared to 64.7% for the twelve months ended March 31, 2018. The impact of higher wage hikes due to increase of minimum wages in India is partially offset by the depreciation of Indian Rupee relative to the US Dollar. Further, the decrease in the employee benefit expense as a percentage of sales is also driven by the Company's strategy to move away from low-margin mass market business in the telecommunications industry to high-margin premium business.

Rent expense: Rent expense as a percentage of revenue increased to 4.1% for the nine months ended December 31, 2018 as compared to 3.8% for twelve months ended March 31, 2018. Higher rent was driven by the Aegis Transaction since the rental costs as a percentage of revenue is higher for our United States operations as compared to other geographies.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the nine months ended December 31, 2018 remained flat at 3.6% as compared 3.4% for the twelve months ended March 31, 2018.

Other expense includes technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs increased from 13.4% to 14.3%. The increase was due to higher traveling and communication expenses.

As a result, gross profit as a percentage of revenue for the nine months ended December 31, 2018 increased to 15.4% as compared to 14.7% for the twelve months ended March 31, 2018.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue increased from 10% in the twelve months ended March 31, 2018 to 14.3% in the nine months ended December 31, 2018. 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 employee costs. The SG&A expenses for the nine months ended December 31, 2018 also included a charge of $2,232 towards bad debts and provision for

doubtful debts for few legacy clients largely in India.

Impairment Losses and Restructuring Charges, Net

Impairment losses and restructuring costs, net totaled $3,962 for the nine months ended December 31, 2018 as compared to $1,868 for the twelve months ended March 31, 2018. $3,962 charge in the current period is on account of restructuring of our acquired business in the United States and Philippines where we undertook people rationalization and also closed some centers.

Acquisition related cost

Acquisition related cost totaled $7,036 for the nine months ended December 31, 2018 as compared to $8,101 for the twelve months ended March 31, 2018. The costs for the current period consist of professional and advisory fees related to the Aegis Transactions while the cost for the previous period pertains to professional and advisory fees related to the acquisition of Aegis by Capital Square Partners.

Interest and Other Income (Expense), Net

Interest and other cost, net totaled $12,529 for the nine months ended December 31, 2018 as compared to $8,439 for the twelve months ended March 31, 2018. The increase is primarily due to interest expense on our term debt and revolving line of credit facilities. The gross debt as at December 31, 2018 stands at $185,691 as compared to $151,004 as at March 31, 2018. The increase in debt is due to the combination of Aegis and the Company. The nine months ended December 31, 2018 saw a foreign exchange loss of $1,309 as compared to a foreign exchange gain of $409 in the twelve months ended March 31, 2018.

Income Tax Expense (Benefit)

Income tax expense for the nine months ended December 31, 2018 was $3,570 compared to $4,483 for the twelve months ended March 31, 2018. Income tax expense is primarily related to our Malaysia, Mauritius, Saudi Arabia, South Africa, Peru and Canada operations. We have tax holidays in Honduras and Jamaica, and for certain facilities in the Philippines.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows generated by operating activities and from available borrowings under our various financing arrangements. 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 the line of credit and factor accounts receivable for ongoing working capital needs. We believe our cash and cash equivalents, cash from operations and available credit will be sufficient to operate our business for the next 12 months.

We are exposed to foreign currency exchange fluctuations in the foreign countries in which we operate. We enter into foreign currency exchange contracts to mitigate these risks where possible.

The following discussion highlights our cash flow activities during the nine months ended December 31, 2018, and for the year ended March 31, 2018.

Cash and cash equivalents

Cash and cash equivalents held by the Company and all its foreign subsidiaries was $16,617 and $17,693 as at December 31, 2018 and March 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.

Cash flows from operating activities

For the nine months ended December 31, 2018, and year ended March 31, 2018 we reported net cash flows generated from operating activities of $1,508 and $14,596 respectively. The decrease from year ended March 31, 2018 was driven primarily by a decrease in cash flows related to net changes in operating assets and liabilities.

Cash flows used in investing activities

For the nine months ended December 31, 2018, and year ended March 31, 2018 we reported net cash used in investing activities of $(9,011) and $(267,782) respectively. Net cash used in investing activities of $9,011 during the nine months ended 2018 primarily consisted of $7,690 of capital expenditures. During the year ended March 31, 2018 we paid $258,643 for an acquisition and $9,077 for capital expenditures. The acquisition consideration was for the acquisition of Aegis by Capital Square Partners.

Cash flows generated from financing activities

For the nine months ended December 31, 2018 and year ended March 31, 2018 we reported net cash flows generated from financing activities of $7,823 and $276,158 respectively. During the nine months period ended December 31, 2018 our net borrowings increased by $6,355 across our various borrowing arrangements and we collected $4,605 from the issuance of common stock.

Other factors impacting liquidity

Our business currently has a high concentration in a few principal clients. The loss of a principal client and/or changes in timing or termination of a principal client's product launches or service offerings could have a material adverse effect on our business, liquidity, operating results, or financial condition. These client relationships are further discussed in Item 1A, "Risk Factors". To limit our credit risk, management from time to time will perform credit evaluations of our clients. Management does not believe substantial credit risk existed as of December 31, 2018. There is a risk that the counter parties to our hedging instruments could suffer financial difficulties due to economic conditions or other reasons and we could realize losses on these arrangements which could impact our liquidity. However, we do not believe we are exposed to more than a nominal amount of credit risk in our derivative hedging activities, as the counter parties are established, well-capitalized financial institutions.

Because we service relatively few, large clients, the availability of cash is highly dependent on the timing of collections of our accounts receivable. As a result, we borrow cash from our working capital facilities to cover short-term cash needs. These borrowings are typically outstanding for a short period of time before they are repaid. However, our debt balance can fluctuate significantly during any given quarter as part of our ordinary course of business. Accordingly, our debt balance at the end of any given period is not necessarily indicative of the debt balance at any other time during that period.

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 $4,040 for nine months ended December 31, 2018.

Although management cannot accurately anticipate effects of domestic and foreign inflation on our operations, management does not believe inflation has had a material adverse effect on our results of operations or financial condition except in our Argentina operations. Considering recent inflation trends in Argentina, the Company has accounted for Argentina operations to be highly inflationary beginning on July 1, 2018 in accordance with ASC 830-10-45-12. Further, there is a risk that inflation could occur in certain countries in which we operate which could have an adverse effect on our financial results. We engage in hedging activities which may reduce this risk; however, currency hedges do not, and will not, eliminate our exposure to foreign inflation.

Contractual Obligations

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

Debt instruments and related covenants

For more information, refer to Note 10, "Debt," to our notes to consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data."

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 principal 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

The preparation of consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base our accounting estimates on historical experience and other factors that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

We have discussed the development and selection of critical accounting policies and estimates with our Audit Committee. We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue

On April 1, 2018, the Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers, (Topic 606). Topic 606 replaces numerous industry specific requirements and converges the accounting guidance on revenue recognition with International Financial Reporting Standards 15 (IFRS 15). 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.

Business Combinations

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

For more information, refer to Note 3 “Business Acquisitions” to our Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Financial Data”.

Impairment of Long-Lived Assets

We periodically, on at least an annual basis, evaluate potential impairments of our long-lived assets. In our annual evaluation or when we determine that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more indicators of impairment, we evaluate the projected undiscounted cash flows related to the assets. If these cash flows are less than the carrying values of the assets, we measure the impairment based on the excess of the carrying value of the long-lived asset over the long-lived asset’s fair value. Our projections contain assumptions pertaining to anticipated levels of utilization and revenue that may or may not be under contract but are based on our experience and/or projections received from our customers.

For more information, refer to Note 7 “Impairment Losses and Restructuring Charges” to our Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Financial Data”.

Goodwill

Goodwill is recorded at fair value and not 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 ("Step 0") 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. We can elect to forgo the qualitative assessment and perform the quantitative test.

If the carrying amount of a reporting unit exceeds its fair value, "Step 1" is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. This step compares the implied fair value of goodwill with the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

The implied fair value of goodwill is determined by assigning the fair value of the reporting unit to all the assets and liabilities

of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. We have elected to perform the annual impairment assessment for goodwill in the fourth quarter.

For more information, refer to Note 4 "Goodwill and Intangible Assets" to our Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Financial Data”.

Restructuring Charges

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

Foreign Currency Matters

The assets and liabilities of our foreign operations that are recorded in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the weighted-average exchange rate during the reporting period. Resulting translation adjustments, net of applicable deferred income taxes, are recorded in accumulated other comprehensive income. Foreign currency transaction gains and losses are included in interest and other income (expense), net in our consolidated statements of operations and comprehensive loss. Such gains and losses were not material for any period presented.

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 will consider Argentina to be highly inflationary beginning on July 1, 2018 and, as a result, the functional currency of the Argentina business will be changed to USD, which will require remeasurement of the local books to USD. Exchange gains and losses will be 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.

Share-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.

For more information, refer to Note 11 "Share-Based Compensation and Employee Benefit Plans" to our Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Financial Data".

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risks

Market risk relating to our foreign operations results primarily from changes in foreign exchange rates. To address this risk, we enter into foreign currency forward and options contracts, whenever we deem it appropriate. The cumulative translation effects for subsidiaries using functional currencies other than the USD are included in accumulated other comprehensive loss in stockholders' equity. Movements in non-USD currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors. We may not

purchase adequate instruments to insulate ourselves from foreign currency risk. Furthermore, any such instrument may not perform adequately as a hedging mechanism.

We have many clients whose delivery location is different than client location. In such cases, our client contracts are primary priced and invoiced in the currency of the client geography; however the operating costs are primarily denominated in the local currencies of the countries where we service the contracts.

In order to hedge our exposure to foreign currency and short-term intercompany transactions denominated in the CAD and PHP, we had outstanding foreign currency option contracts as of December 31, 2018 with notional amounts totaling $23.0 million. The average contractual exchange rate for the CAD contracts is 1.28 and for the PHP contracts is 54.01. We may, in the future, adopt more active hedging policies with regards to our exposure to foreign currencies.

As of December 31, 2018, we had derivative assets and liabilities associated with these contracts with a fair value of $0.2 million and $0.3 million, respectively, which will settle within the next 12 months. If the USD were to weaken against the CAD and PHP by 10% from current period-end levels, we would incur a loss of approximately $3.0 million on the underlying exposures of the derivative instruments.

We have also entered into foreign currency range forward contracts with regards to Indian rupee, Australian dollar and Singapore dollar relative to U.S. dollar as required by our lenders. These hedges are not designated hedges under ASC 815, Derivatives and Hedging. These contracts expire in 2020 and are to be settled upon expiry. As at December 31, 2018, we had outstanding hedges worth $48.5 million under these contracts. We had derivative assets and liabilities associated with these contracts with a fair value of $1.1 million.

Interest Rate Risk

Our exposure to interest rate risk arises from our borrowings which have a floating rate of interest. A significant part of our interest cost is linked to the US dollar LIBOR. The costs of floating rate borrowings may be affected by fluctuations in the interest rates. We manage this risk by maintaining an appropriate mix between fixed and floating rate borrowings and through the use of interest rate swap contracts. The costs of floating rate borrowings may be affected by the fluctuations in the interest rates. In connection with our Senior Term Loan facilities, we entered into interest rate swap agreements with the banks in March 2018. These swap agreements effectively convert a part of the term loans from a variable US dollar LIBOR interest rate to a fixed rate, thereby managing our exposure to changes in market interest rates under the Senior Term Loan. The outstanding swap agreements as at December 31, 2018 aggregated to $67.9 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

StarTek, Inc. and Subsidiaries:

Reports of Independent Registered Public Accounting Firms
Consolidated Statements of Operations and Comprehensive Income (Loss) for nine months ended December 31, 2018, Successor period of November 22, 2017 to March 31, 2018, and Predecessor period of April 01, 2017 to November 21, 2017
Consolidated Balance Sheets as of December 31, 2018 and March 31, 2018
Consolidated Statements of Cash Flows for the nine months ended December 31, 2018, Successor period of November 22, 2017 to March 31, 2018, and Predecessor period of April 01, 2017 to November 21, 2017
Consolidated Statements of Stockholders' Equity for nine months ended December 31, 2018, Successor period of November 22, 2017 to March 31, 2018, and Predecessor period of April 01, 2017 to November 21, 2017
Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
StarTek, Inc.
Greenwood Village, Colorado

Opinion on Internal Control over Financial Reporting

We have audited StarTek, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, because of the effect of the material weakness described below based on the achievement of the objectives of the control criteria, StarTek, Inc. and subsidiaries (the "Company") has not maintained effective control over financial reporting as of December 31, 2018, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of CSP Alpha Midco Pte Ltd. and its subsidiaries (CSP) acquired on July 20, 2018, which are included in the 2018 consolidated financial statements of the Company and constituted 73 percent of total assets as of December 31, 2018, and 75 percent of revenue for the fiscal period then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of CSP.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified a material weakness in controls related to the Company's controls for SEC Financial Reporting, consolidation, accounting for significant and unusual transactions, and having sufficient resources to ensure effective and accurate financial reporting in accordance with U.S. GAAP and SEC requirements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018; the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the period then ended; and the related notes. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated March 14, 2019, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Plante & Moran PLLC

We have served as the Company's auditor since 2014.

March 14, 2019
Denver, Colorado

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of StarTek, Inc.

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheet of StarTek, Inc. and subsidiaries (the “Company”) as of December 31, 2018; the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the period then ended; and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.
Basis for Opinion
The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.
Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

Plante & Moran PLLC

We have served as the Company’s auditor since 2014.

Denver, Colorado
March 14, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of
CSP Alpha Midco Pte. Limited

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of CSP Alpha Midco Pte. Limited and its subsidiaries (the "Company" or the "Successor") as of March 31, 2018 (Successor), the related consolidated statements of income, comprehensive income/(loss), changes in stockholders' equity, and cash flows for the period from November 22, 2017 through March 31, 2018 (Successor) and, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2018 (Successor), and the consolidated results of its operations and its consolidated cash flows for the period from November 22, 2017 through March 31, 2018 (Successor), in conformity with Accounting Principles Generally Accepted in United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Grant Thornton India LLP

We have served as the Company's auditor since 2018.

Mumbai, India
October 5, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of
CSP Alpha Midco Pte. Limited

Opinion on the financial statements

We have audited the accompanying consolidated statements of income, comprehensive income/(loss), changes in stockholders' equity, and cash flows of ESM Holdings Limited and its subsidiaries (the "Company" or the "Predecessor") for the period from April 1, 2017 through November 21, 2017 (Predecessor) and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of its operations and its consolidated cash flows for the period from April 1, 2017 through November 21, 2017 (Predecessor), in conformity with Accounting Principles Generally Accepted in United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Grant Thornton India LLP

We have served as the Company's auditor since 2018.

Mumbai, India
October 5, 2018

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)

	Nine Months Ended December 31, 2018	Year Ended March 31, 2018	
		Successor November 22, 2017 to March 31, 2018	Predecessor April 01, 2017 to November 21, 2017
Revenue	$ 420,317	$ 169,957	$ 310,120
Cost of services	355,591	143,918	265,770
Gross profit	64,726	26,039	44,350
Selling, general and administrative expenses	60,020	15,925	32,105
Transaction related fees	7,036	7,994	107
Impairment losses and restructuring charges, net	3,962	1,868	—
Operating income (loss)	(6,292)	252	12,138
Share of profit of equity affiliates	115	76	996
Interest and other expense, net	12,529	3,858	4,581
Income (loss) before income taxes	(18,706)	(3,530)	8,553
Income tax expense	3,570	1,305	3,178
Net income (loss)	$ (22,276)	$ (4,835)	$ 5,375
Net income attributable to non-controlling interests	2,036	1,980	2,712
Net income (loss) attributable to Startek shareholders	(24,312)	(6,815)	2,663
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(3,879)	(110)	(1,510)
Change in fair value of derivative instruments	(15)	—	—
Pension remeasurement	(2,246)	(540)	(1,391)
Comprehensive income (loss)	$ (28,416)	$ (5,485)	$ 2,474
Comprehensive income attributable to non-controlling interests	$ 1,041	$ 1,732	$ 2,088
Comprehensive income (loss) attributable to Startek	$ (29,457)	$ (7,217)	$ 386
Net income (loss) per common share - basic	$ (0.80)	$ (0.33)	$ 0.13
Weighted average common shares outstanding - basic	30,518	20,600	20,600
Net income (loss) per common share - diluted	$ (0.80)	$ (0.33)	$ 0.13
Weighted average common shares outstanding - diluted	30,518	20,600	20,600

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	As of December 31, 2018	As of March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,617	$17,693
Restricted cash	7,952	5,226
Trade accounts receivable, net	107,836	63,138
Unbilled revenue	42,135	47,407
Prepaid expenses and other current assets	18,850	18,772
Total current assets	$ 193,390	$152,236
Property, plant and equipment, net	42,242	36,726
Intangible assets, net	121,336	99,407
Goodwill	225,450	153,368
Investment in equity affiliates	2,097	10,911
Deferred tax assets	5,048	4,481
Prepaid expenses and other non-current assets	15,076	9,512
Total assets	$ 604,639	$466,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 26,886	$20,672
Accrued expenses and other current liabilities	84,881	73,423
Short term debt	21,975	17,628
Current maturity of long term debt	9,800	6,215
Current maturity of capital lease obligation	1,816	28
Total current liabilities	$ 145,358	$117,966
Deferred tax liabilities	18,901	17,711
Long term debt	152,100	127,133
Accrued expenses and other non-current liabilities	11,907	9,686
Total liabilities	$ 328,266	$272,496
Commitments and contingencies		
Stockholders' equity:		
Common stock, 60,000,000 non-convertible shares, $0.01 par value, authorized; 37,446,323 and 20,600,000 shares issued and outstanding at December 31, 2018 and March 31, 2018, respectively	$ 374	$206
Additional paid-in capital	267,317	153,704
Accumulated other comprehensive income (loss)	(5,547)	(402)
Accumulated (deficit) / earnings	(31,127)	(6,815)
Equity attributable to Startek shareholders	$ 231,017	$146,693
Non-controlling interest	45,356	47,452
Total stockholders' equity	$ 276,373	$194,145
Total liabilities and stockholders' equity	$ 604,639	$466,641

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share data)

	Nine Months Ended December 31, 2018	Year Ended March 31, 2018 Successor November 22, 2017 to March 31, 2018	Year Ended March 31, 2018 Predecessor April 01, 2017 to November 21, 2017
Operating Activities			
Net income (loss)	$ (22,276)	$ (4,835)	$ 5,375
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	20,462	8,184	11,603
Provision for doubtful accounts	2,253	216	158
Impairment loss on property	483	—	—
Share-based compensation expense	674	—	—
Deferred income taxes	7	(909)	(74)
Share of profit of equity affiliates	(115)	(76)	(996)
Unrealized exchange gains and losses (net)	—	(639)	230
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(10,982)	(3,995)	5,392
Prepaid expenses and other assets	1,643	12,599	(21,507)
Trade accounts payable	(669)	(702)	4,459
Income taxes, net	(4,475)	(1,951)	(2,775)
Accrued and other liabilities	14,503	(13,571)	18,410
Net cash provided by (used in) operating activities	$ 1,508	$ (5,679)	$ 20,275
Investing Activities			
Purchases of property, plant and equipment, net	$ (7,690)	$ (1,490)	$ (7,587)
Proceeds/(Payment) for margin money deposits	(2,865)	(2,044)	544
Payment for acquisition, net of cash acquired	—	(258,643)	—
Proceeds from equity-accounted investee	48	—	1,438
Cash acquired in Aegis Transactions	1,496	—	—
Net cash used in investing activities	$ (9,011)	$ (262,177)	$ (5,605)
Financing Activities			
Proceeds from the issuance of common stock	$ 4,605	$ 153,910	$ —
Proceeds (payments) on long term debt	(4,200)	132,730	(1,233)
Dividends paid	(3,137)	—	(8,750)
Proceeds from other debts, net	10,555	(1,414)	915
Net cash provided by financing activities	$ 7,823	$ 285,226	$ (9,068)
Net increase in cash and cash equivalents	$ 320	$ 17,370	$ 5,602
Effect of exchange rate changes on cash and cash equivalents	$ (1,396)	$ 323	$ (30)
Cash and cash equivalents at beginning of period	$ 17,693	$—	$ 15,785
Cash and cash equivalents at end of period	$ 16,617	$ 17,693	$ 21,357

Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$ 9,687	$7,370	$ 4,182
Cash paid for income taxes	7,654	4,127	6,063
Non cash common control purchase consideration	—	—	44,830
Non cash dividend distribution	—	—	1,018

See Notes to Consolidated Financial Statements.

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings / (Deficit)	Equity Attributable to Startek shareholders	Non controlling interest	Total Stockholders' Equity
	Shares	Amount						
Predecessor								
Balance, March 31, 2017, as previously reported	100	$ —	$ 3,911	$ (11,428)	$ 16,581	$ 9,064	$ 45,510	$ 54,574
Adjustment for reverse acquisition	20,599,900	206	(206)	—	—	—	—	—
Net Income	—	—	—	—	2,663	2,663	2,712	5,375
Dividend paid in Cash	—	—	—	—	(4,462)	(4,462)	(4,288)	(8,750)
Common control purchase consideration	—	—	(44,830)	—	—	(44,830)	—	(44,830)
Reduction during the period	—	—	(1,018)	—	—	(1,018)		