

STARTEK INC
Form 10-Q
November 06, 2012

- UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

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

For the transition period from to

Commission file number 1-12793

StarTek, Inc.

(Exact name of registrant as specified in its charter)

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

8200 E. Maplewood Drive, Suite 100	80111
Greenwood Village, Colorado	(Zip code)
(Address of principal executive offices)	
(303) 399-2400	

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 Par Value 15,311,060 shares as of October 31, 2012.

STARTEK, INC. AND SUBSIDIARIES

FORM 10-Q

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report 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 contained herein 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 contained herein regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to, those items described herein or set forth in Item 1A. "Risk Factors" appearing in our Annual Report on Form 10-K for the year ended December 31, 2011.

Part I. Financial Information**ITEM 1. FINANCIAL STATEMENTS****STARTEK, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Loss

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$47,675	\$51,701	\$142,955	\$168,350
Cost of services	41,575	49,591	128,246	156,049
Gross profit	6,100	2,110	14,709	12,301
Selling, general and administrative expenses	6,924	8,636	22,579	28,013
Impairment and restructuring charges	533	291	4,086	3,563
Operating loss	(1,357)	(6,817)	(11,956)	(19,275)
Net interest and other income	108	5	295	11
Loss before income taxes	(1,249)	(6,812)	(11,661)	(19,264)
Income tax benefit	20	17	22	263
Net loss	\$(1,229)	\$(6,795)	\$(11,639)	\$(19,001)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	\$105	\$(726)	\$453	\$(317)
Change in fair value of derivatives instruments	\$58	\$(940)	\$959	\$(1,899)
Comprehensive loss	\$(1,066)	\$(8,461)	\$(10,227)	\$(21,217)
Net loss per share				
Basic	\$(0.08)	\$(0.45)	\$(0.76)	\$(1.26)
Diluted	\$(0.08)	\$(0.45)	\$(0.76)	\$(1.26)
Weighted average shares outstanding				
Basic	15,263	15,108	15,230	15,065
Diluted	15,263	15,108	15,230	15,065

See notes to condensed consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	As of September 30, 2012	December 31, 2011
(unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$9,199	\$9,719
Trade accounts receivable, net	35,112	37,736
Income tax receivable	342	-
Deferred income tax assets	201	193
Derivative asset	998	106
Prepaid expenses	2,717	2,534
Assets held for sale	4,969	4,102
Current portion of note receivable	660	660
Other current assets	662	1,277
Total current assets	54,860	56,327
Property, plant and equipment, net	30,325	38,475
Long-term deferred income tax assets	3,031	3,355
Long-term note receivable, net of current portion	702	1,192
Other assets	1,806	2,084
Total assets	\$90,724	\$101,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$7,481	\$7,385
Accrued liabilities:		
Accrued payroll	7,522	7,036
Accrued compensated absences	2,455	3,441
Accrued restructuring costs	1,154	1,260
Other accrued liabilities	1,245	1,079
Derivative liability	113	616
Deferred revenue	480	671
Deferred income tax liabilities	1,363	1,363
Other current liabilities	1,005	634
Total current liabilities	22,818	23,485
Accrued restructuring charges	260	390
Deferred rent	2,323	2,756

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Other liabilities	116	440
Total liabilities	25,517	27,071

Commitments and contingencies

Stockholders' equity:

Common stock, 32,000,000 non-convertible shares, \$0.01 par value, authorized; 15,311,060 and 15,249,829 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	153	152
Additional paid-in capital	72,129	71,058
Accumulated other comprehensive income	2,914	1,502
Retained (deficit) earnings	(9,989)	1,650
Total stockholders' equity	65,207	74,362
Total liabilities and stockholders' equity	\$90,724	\$ 101,433

See notes to condensed consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Operating Activities		
Net loss	\$(11,639)	\$(19,001)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	10,008	11,948
Impairment of property, plant and equipment	3,086	1,026
Non-cash compensation cost	997	1,194
Deferred income taxes	395	(121)
Other, net	181	14
Changes in operating assets and liabilities:		
Trade accounts receivable, net	2,684	7,062
Prepaid expenses and other assets	683	142
Accounts payable	(590)	(406)
Income taxes, net	208	(600)
Accrued and other liabilities	(1,688)	(2,064)
Net cash provided by (used in) operating activities	4,325	(806)
Investing Activities		
Proceeds from note receivable	495	495
Purchases of property, plant and equipment	(4,680)	(7,417)
Net cash used in investing activities	(4,185)	(6,922)
Financing Activities		
Proceeds from stock option exercises	1	-
Proceeds from line of credit	16,176	1,859
Principal payments on line of credit	(16,176)	(1,859)
Proceeds from issuance of common stock	74	205
Principal payments on capital lease obligations	(72)	(65)
Net cash provided by financing activities	3	140
Effect of exchange rate changes on cash	(663)	364
Net decrease in cash and cash equivalents	(520)	(7,224)
Cash and cash equivalents at beginning of period		