

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-39157

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

**AgileThought**

**Delaware**

(State or other jurisdiction of incorporation or organization)

**222 W. Las Colinas Blvd. Suite 1650E, Irving, Texas 75039**

(Address of Principal Executive Offices) / (Zip Code)

**87-2302509**

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

**(971) - 501-1140**

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	AGIL	NASDAQ Capital Market
Warrants, each whole warrant exercisable for one share of Class A Common Stock at an exercise price of \$11.50 per share	AGILW	NASDAQ Capital Market

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 (§232.405 of this chapter) 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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

The registrant had outstanding 50,473,423 shares of common stock as of May 9, 2022.

**TABLE OF CONTENTS**  
**AgileThought, Inc. - Quarterly Report on Form 10-Q**  
**March 31, 2022**

	<u>Page</u>	
<b><u>PART I - FINANCIAL INFORMATION</u></b>		
<u>Item 1.</u>	<u>Financial Statements</u>	<u>3</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity</u>	<u>7</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>8</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>47</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>47</u>
<b><u>PART II - OTHER INFORMATION</u></b>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>49</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>49</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>49</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>49</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>49</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>49</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>49</u>
<b><u>SIGNATURES</u></b>		<b><u>51</u></b>

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. You can generally identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions. We have based these forward-looking statements largely on our current expectations and projections regarding future events and trends that we believe may affect our business, financial condition and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section entitled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Accordingly, you should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those projected in the forward-looking statements.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding:

- the financial and business performance of the Company;
- our ability to repay and/or continue to service our indebtedness;
- our future capital requirements and sources and uses of cash;
- our ability to obtain funding for our future operations;
- our business, expansion plans and opportunities;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- our ability to develop, maintain and expand client relationships, including relationships with our largest clients;
- changes in domestic and foreign business, market, financial, political, regulatory and legal conditions;
- our ability to recognize the anticipated benefits of the business combination, which may be affected by, among other things, competition and our ability to grow and manage growth profitably;
- costs related to the business combination;
- our ability to successfully identify and integrate any future acquisitions;
- our ability to attract and retain highly skilled information technology professionals;
- our ability to maintain favorable pricing, utilization rates and productivity levels for our information technology professionals and their services;
- our ability to innovate successfully and maintain our relationships with key vendors;
- our ability to provide our services without security breaches and comply with changing regulatory, legislative and industry standard developments regarding privacy and data security matters;
- our ability to operate effectively in multiple jurisdictions in Latin America and in the United States in the different business, market, financial, political, legal and regulatory conditions in the different markets;
- developments and projections relating to our competitors and industry;
- the impact of health epidemics, including the COVID-19 pandemic, on our business and the actions we may take in response thereto;
- expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012, as amended;
- changes in applicable laws or regulations;
- the outcome of any known and unknown litigation or legal proceedings and regulatory proceedings involving us; and
- our ability to maintain the listing of our securities.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Quarterly Report on Form 10-Q may not occur. The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**PART I - FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**AgileThought, Inc.**  
Unaudited Condensed Consolidated Balance Sheets

<i>(in thousands USD, except share data)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 2,713	\$ 8,640
Accounts receivable, net	37,677	31,387
Prepaid expenses and other current assets	7,998	7,490
Current VAT receivables	9,165	9,713
<b>Total current assets</b>	<b>57,553</b>	<b>57,230</b>
Property and equipment, net	2,848	3,107
Goodwill and indefinite-lived intangible assets	87,262	86,694
Finite-lived intangible assets, net	65,352	66,233
Operating lease right of use assets, net	5,640	6,434
Other noncurrent assets	1,848	1,612
<b>Total noncurrent assets</b>	<b>162,950</b>	<b>164,080</b>
<b>Total assets</b>	<b>\$ 220,503</b>	<b>\$ 221,310</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 23,057	\$ 20,970
Accrued liabilities	11,842	9,778
Income taxes payable	16	97
Other taxes payable	8,738	9,733
Current portion of operating lease liabilities	2,527	2,834
Deferred revenue	2,426	1,789
Obligation for contingent purchase price	9,026	8,791
Current portion of long-term debt	10,888	14,838
<b>Total current liabilities</b>	<b>68,520</b>	<b>68,830</b>
Long-term debt, net of current portion	46,767	42,274
Deferred tax liabilities, net	2,719	2,762
Operating lease liabilities, net of current portion	3,269	3,759
Warrant liability	2,615	2,137
Other noncurrent liabilities	7,400	6,900
<b>Total liabilities</b>	<b>131,290</b>	<b>126,662</b>
<b>Stockholders' Equity</b>		
Class A common stock \$0.0001 par value, 210,000,000 shares authorized, 50,473,423 and 50,402,763 shares issued as of March 31, 2022 and December 31, 2021, respectively	5	5
Treasury stock, 198,740 and 181,381 shares at cost as of March 31, 2022 and December 31, 2021, respectively	(391)	(294)
Additional paid-in capital	199,264	198,649
Accumulated deficit	(92,598)	(86,251)
Accumulated other comprehensive loss	(17,014)	(17,362)
<b>Total stockholders' equity attributable to the Company</b>	<b>89,266</b>	<b>94,747</b>
Noncontrolling interests	(53)	(99)
<b>Total stockholders' equity</b>	<b>89,213</b>	<b>94,648</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 220,503</b>	<b>\$ 221,310</b>

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Financial Statements.

**AgileThought, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**

<i>(in thousands USD, except share data)</i>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net revenues	\$ 44,224	\$ 37,213
Cost of revenue	30,400	26,231
Gross profit	13,824	10,982
<b>Operating expenses:</b>		
Selling, general and administrative expenses	12,619	8,768
Depreciation and amortization	1,754	1,774
Change in fair value of embedded derivative liabilities	—	(1,410)
Change in fair value of warrant liability	478	—
Loss on debt extinguishment	7,136	—
Equity-based compensation expense	518	12
Restructuring expenses	753	10
Other operating expenses, net	621	635
Total operating expense	23,879	9,789
(Loss) income from operations	(10,055)	1,193
Interest expense	(3,313)	(4,328)
Other income (expense)	7,321	(1,308)
Loss before income taxes	(6,047)	(4,443)
Income tax expense (benefit)	251	(608)
Net loss	(6,298)	(3,835)
Net income attributable to noncontrolling interests	49	30
Net loss attributable to the Company	<u>\$ (6,347)</u>	<u>\$ (3,865)</u>
<b>Loss per share (Note 16):</b>		
Basic and Diluted Class A common stock	\$ (0.14)	\$ (0.11)
<b>Weighted average number of shares:</b>		
Basic and Diluted Class A common stock	46,022,767	34,557,480

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Financial Statements.

**AgileThought, Inc.**

## Unaudited Condensed Consolidated Statements of Comprehensive Loss

<i>(in thousands USD)</i>	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (6,298)	\$ (3,835)
Actuarial loss	4	—
Foreign currency translation adjustments	341	(218)
Comprehensive loss	(5,953)	(4,053)
Less: Comprehensive income attributable to noncontrolling interests	46	35
Comprehensive loss attributable to the Company	<u>\$ (5,999)</u>	<u>\$ (4,088)</u>

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Financial Statements.

**AgileThought, Inc.**

## Unaudited Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2022 and 2021

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
<i>(in thousands USD, except share data)</i>									
<b>December 31, 2021</b>	<u>50,402,763</u>	<u>\$ 5</u>	<u>181,381</u>	<u>\$ (294)</u>	<u>\$ 198,649</u>	<u>\$ (86,251)</u>	<u>\$ (17,362)</u>	<u>\$ (99)</u>	<u>\$ 94,648</u>
Net loss (income)	—	—	—	—	—	(6,347)	—	49	(6,298)
Equity-based compensation	74,537	—	—	—	518	—	—	—	518
Employee withholding taxes paid related to net share settlements	(3,897)	—	17,359	(97)	97	—	—	—	—
Redemption of public warrants	20	—	—	—	—	—	—	—	—
Other comprehensive expense	—	—	—	—	—	—	4	—	4
Foreign currency translation adjustments	—	—	—	—	—	—	344	(3)	341
<b>March 31, 2022</b>	<u>50,473,423</u>	<u>\$ 5</u>	<u>198,740</u>	<u>\$ (391)</u>	<u>\$ 199,264</u>	<u>\$ (92,598)</u>	<u>\$ (17,014)</u>	<u>\$ (53)</u>	<u>\$ 89,213</u>

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
<i>(in thousands USD, except share data)</i>									
<b>December 31, 2020</b>	<u>34,557,480</u>	<u>\$ 3</u>	<u>151,950</u>	<u>\$ —</u>	<u>\$ 101,494</u>	<u>\$ (66,181)</u>	<u>\$ (16,981)</u>	<u>\$ (137)</u>	<u>\$ 18,198</u>
Net (loss) income	—	—	—	—	—	(3,865)	—	30	(3,835)
Equity-based compensation	—	—	—	—	12	—	—	—	12
Foreign currency translation adjustments	—	—	—	—	—	—	(223)	5	(218)
<b>March 31, 2021</b>	<u>34,557,480</u>	<u>\$ 3</u>	<u>151,950</u>	<u>\$ —</u>	<u>\$ 101,506</u>	<u>\$ (70,046)</u>	<u>\$ (17,204)</u>	<u>\$ (102)</u>	<u>\$ 14,157</u>

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Financial Statements.

<i>(in thousands USD)</i>	<b>Three Months Ended March 31,</b>	
	2022	2021
<b>Operating Activities</b>		
Net loss	\$ (6,298)	\$ (3,835)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Accretion of interest from convertible notes	—	1,040
Gain on forgiveness of debt	(7,280)	(63)
Loss on debt extinguishment	7,136	—
Provision for bad debt expense	3	(10)
Equity-based compensation	518	12
Right-of-use asset amortization	860	780
Foreign currency remeasurement	(252)	1,715
Deferred income tax provision	(63)	(37)
Obligations for contingent purchase price	235	130
Embedded derivative liabilities	—	(1,410)
Warrant liability	478	—
Amortization of debt issue costs	421	269
Depreciation and amortization	1,754	1,774
Changes in assets and liabilities:		
Accounts receivable	(6,377)	(6,108)
Prepaid expenses and other current assets	(725)	(2,044)
Accounts payable	2,231	7,460
Accrued liabilities	2,187	(2,740)
Deferred revenue	876	900
Current VAT receivables and other taxes payable	129	(1,419)
Income taxes payable	(81)	(40)
Operating lease liabilities	(863)	(774)
Net cash used in operating activities	(5,111)	(4,400)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(83)	(229)
Net cash used in investing activities	(83)	(229)
<b>Financing activities</b>		
Repayments of borrowings	(669)	(22,004)
Proceeds from issuance of preferred shares	—	20,000
Net cash used in financing activities	(669)	(2,004)
Effect of exchange rates on cash	(64)	(110)
Net decrease in cash and cash equivalents	(5,927)	(6,743)
Cash, cash equivalents and restricted cash at beginning of the period	8,640	9,432
Cash, cash equivalents and restricted cash at end of the period <sup>(1)</sup>	\$ 2,713	\$ 2,689
<sup>(1)</sup> Amount of restricted cash at end of period	\$ 212	\$ 169

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Financial Statements

**Note 1 – Organization and Basis of Consolidation and Presentation****Organization**

AgileThought, Inc. (“AgileThought”) is a global provider of agile-first, end-to-end digital transformation services in the North American market using on-shore and near-shore delivery. The Company’s headquarters is in Irving, Texas. AgileThought’s Class A common stock is listed on the NASDAQ Capital Market (“NASDAQ”) under the symbol “AGIL.”

On August 23, 2021 (the “Closing Date”), LIV Capital Acquisition Corp. (“LIVK”), a special purpose acquisition company, and AgileThought (“Legacy AgileThought”) consummated the transactions contemplated by the definitive agreement and plan of merger (“Merger Agreement”), dated May 9, 2021 (“Business Combination”). Pursuant to the terms, Legacy AgileThought merged with and into LIVK, whereupon the separate corporate existence of Legacy AgileThought ceased, with LIVK surviving such merger (the “Surviving Company”). On the Closing Date, the Surviving Company changed its name to AgileThought, Inc. (the “Company”, “AgileThought”, “we” or “us”).

**Basis of Consolidation and Presentation**

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). For interim financial reporting not all disclosures normally required in annual Consolidated Financial Statements prepared in accordance with U.S. GAAP are required.

The Business Combination was accounted for as a reverse capitalization in accordance with U.S. GAAP (the “Recapitalization”). Under this method of accounting, LIVK is treated as the acquired company and Legacy AgileThought is treated as the accounting acquirer for financial reporting purposes, resulting in no change in the carrying amount of the Company’s assets and liabilities. The consolidated assets, liabilities and results of operations prior to the Recapitalization are those of Legacy AgileThought. The shares and corresponding capital amounts and losses per share, prior to the Business Combination, have been retroactively restated based on shares reflecting the exchange ratio established in the Business Combination.

In the opinion of management, all adjustments necessary for a fair statement of the financial information, which are of normal and recurring nature, have been made for the interim periods reported. Operating results for the three months ended March 31, 2022 are not necessarily indicative of results that may be expected for the year ending December 31, 2022. The balance sheet as of December 31, 2021 has been derived from the audited Consolidated Financial Statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements for the year ended December 31, 2021 that are included in our annual report on Form 10-K filed with the SEC on March 31, 2022 (“Annual Report”). All intercompany transactions and balances have been eliminated in consolidation. The ownership interest of noncontrolling investors of the Company’s subsidiaries are recorded as noncontrolling interest.

The Company evaluated subsequent events, if any, that would require an adjustment to the Company’s Unaudited Condensed Consolidated Financial Statements or require disclosure in the notes to the Unaudited Condensed Consolidated Financial Statements through the date of issuance of the condensed consolidated financial statements. Where applicable, the notes to these Unaudited Condensed Consolidated Financial Statements have been updated to discuss all significant subsequent events which have occurred.

## Note 2 – Summary of Significant Accounting Policies

Refer to Note 2, *Summary of Significant Accounting Policies*, within our annual Consolidated Financial Statements included in our Annual Report for the full listing of significant accounting policies.

### *Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions about future events that affect the amounts reported in the Unaudited Condensed Consolidated Financial Statements. Further, certain estimates and assumptions include the direct and indirect impact of the COVID-19 pandemic on the Company's business, financial condition and results of operations. We make significant estimates with respect to intangible assets, goodwill, depreciation, amortization, income taxes, equity-based compensation, contingencies, fair value of assets and liabilities acquired, obligations related to contingent consideration in connection with business combinations, fair value of embedded derivative liabilities, and fair value of warrant liability. The economic impact of the pandemic on the Company's business depends on its severity and duration, which in turn depend on highly uncertain factors such as the nature and extent of containment efforts, the spread and effects of variants, and the timing and efficacy of vaccines. The high level of uncertainty regarding this economic impact means that management's estimates and assumptions are subject to change as the situation develops and new information becomes available. To the extent the actual results differ materially from these estimates and assumptions, the Company's future financial statements could be materially affected.

### *Fair Value Measurements*

The Company records fair value of assets and liabilities in accordance with Financial Accounting Standards Board's ("FASB") Account Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"). ASC 820 defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

ASC 820 includes disclosures around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reporting in one of three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Other valuations that include quoted prices for similar instruments in active markets that are directly or indirectly observable.

Level 3: Valuations made through techniques in which one or more of its significant data are not observable.

See [Note 4, Fair Value Measurements](#), for further discussion.

### *Goodwill*

Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased and is allocated to a reporting unit when the acquired business is integrated into the Company. Goodwill is not amortized but is tested for impairment annually on October 1st. The Company will also perform an assessment whenever events or changes in circumstances indicate that the carrying amount of a reporting unit may be more than its recoverable amount. Under FASB guidance, management may first assess certain qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test.

When needed, the Company performs a quantitative assessment of goodwill impairment if it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In the quantitative test, we compare the fair value of the reporting unit with the respective carrying value. Management uses a combined income and public company market approach to estimate the fair value of each reporting unit. If the carrying value of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to the excess, limited to the total amount of goodwill allocated to that reporting unit.

This analysis requires significant assumptions, such as estimated future cash flows, long-term growth rate estimates, weighted average cost of capital, and market multiples. The estimates used to calculate the fair value of a reporting unit change

from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

### ***Intangible Assets***

The Company has customer relationships (finite-lived intangible assets) and trade names (finite-lived and indefinite-lived intangible assets) on its Unaudited Condensed Consolidated Balance Sheets.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed. We test for impairment when events or circumstances indicate the carrying value of a finite-lived intangible asset may not be recoverable. Consistent with other long-lived assets, if the carrying value is not determined to be recoverable, we calculate an impairment loss based on the excess of the asset's carrying value over its fair value. The fair value is determined using the discounted cash flow approach of multi-period excess earnings.

During the first quarter of 2021, the Company reassessed and changed the estimated economic life of a certain trade name from indefinite to finite-lived as a result of the shift in operations towards a global strategy as "One AgileThought." As a result, the Company began amortizing a certain trade name using straight-line method over their average remaining economic life of five years.

Indefinite-lived intangible assets are not amortized but are instead assessed for impairment annually on October 1<sup>st</sup> and as needed whenever events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An impairment loss is recognized if the asset's carrying value exceeds its fair value. The Company uses the relief from royalty method to determine the fair value of its indefinite-lived intangible assets. Refer to [Note 7, Goodwill and Intangible Assets, Net](#), for additional information.

### ***Embedded Derivative Liabilities***

The Company does not use derivative instruments to hedge exposures to interest rate, market, or foreign currency risks. The Company has evaluated the terms and features of its redeemable convertible preferred stock issued in February 2021 and identified two embedded derivatives requiring bifurcation from the underlying host instrument pursuant to ASC 815-15, *Embedded Derivatives*. Embedded derivatives met the criteria for bifurcation due to the instruments containing conversion options and mandatory redemption features that are not clearly and closely related to the host instrument.

Embedded derivatives are bifurcated from the underlying host instrument and accounted for as separate financial instruments. Embedded derivatives are recognized at fair value, with changes in fair value during the period are recognized in "Change in fair value of embedded derivative liabilities" in the Unaudited Condensed Consolidated Statements of Operations. As of March 31, 2022 and in connection with the consummation of the Business Combination that occurred on August 23, 2021, the preferred stock was converted into common stock of the Company and the Embedded derivative ceased to exist. Refer to [Note 4, Fair Value Measurements](#), for additional information.

### ***Warrants***

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815, *Derivatives and Hedging* ("ASC 815").

For warrants that meet all of the criteria for equity classification, the warrants are recorded as a component of additional paid-in capital at the time of issuance. For warrants that do not meet all the criteria for equity classification, the warrants are recorded as liabilities. At the end of each reporting period, changes in fair value during the period are recognized in "Change in fair value of warrant liability" in the Company's Unaudited Condensed Consolidated Statements of Operations. The Company will continue to adjust the warrant liability for changes in the fair value until the earlier of a) the exercise or expiration of the warrants or b) the redemption of the warrants.

Our public warrants meet the criteria for equity classification and accordingly, are reported as a component of stockholders' equity while our private warrants do not meet the criteria for equity classification and are thus classified as a liability.

## Accounting Pronouncements

The authoritative bodies release standards and guidance, which are assessed by management for impact on the Company's Unaudited Condensed Consolidated Financial Statements. Accounting Standards Updates ("ASUs") not listed below were assessed and determined to be not applicable to the Company's Unaudited Condensed Consolidated Financial Statements.

The following standards were recently adopted by the Company:

- In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform*, that refined the scope of ASU No. 2020-04 and clarified some of its provisions. The amendments permit entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by the discounting transition. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for all entities, including adoption in an interim period. This ASU was adopted by the Company during the second quarter of 2022, resulting in no material impact to the Unaudited Condensed Consolidated Financial Statements.
- In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share, Debt-Modifications and Extinguishments, Compensation-Stock Compensation, and Derivatives and Hedging-Contracts in Entity's Own Equity*. This ASU reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. This ASU is effective for fiscal years beginning after December 15, 2021 on a prospective basis. Early adoption is permitted for all entities, including adoption in an interim period. The ASU was adopted by the Company on January 1, 2022, resulting in no material impact to the Unaudited Condensed Consolidated Financial Statements.
- In October 2021, the FASB issued ASU 2021-08, *Business Combinations: Accounting for Contract Asset and Contract Liabilities from Contracts with Customers*. This ASU requires an entity to recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASU 2014-09, Revenue from Contracts with Customers. This ASU is expected to reduce diversity in practice and increase comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. This standard is effective for annual periods beginning after December 15, 2022, including interim periods therein, with early adoption permitted. The ASU was adopted by the Company on January 1, 2022, resulting in no material impact to the Unaudited Condensed Consolidated Financial Statements.

## Note 3 – Business Combination

As discussed in [Note 1, Organization and Basis of Consolidation and Presentation](#), the Company consummated the Business Combination on August 23, 2021, pursuant to the Merger Agreement dated May 9, 2021. In connection with the Business Combination, the following occurred:

- On August 20, 2021, LIVK changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware by deregistering as an exempted company in the Cayman Islands and domesticating and continuing as a corporation formed under the laws of the State of Delaware. As a result, each of LIVK's issued and outstanding Class A ordinary shares and Class B ordinary shares automatically converted by operation of law, on a one-for-one basis, into shares of Class A common stock. Similarly, all of LIVK's outstanding warrants became warrants to acquire shares of Class A common stock.
- LIVK entered into subscription agreements with certain investors pursuant to which such investors collectively subscribed for 2,760,000 shares of the Company's Class A common stock at \$10.00 per share for aggregate proceeds of \$27,600,000 (the "PIPE Financing").
- Holders of 7,479,065 of LIVK's Class A ordinary shares originally sold in LIVK's initial public offering, or 93% of the shares with redemption rights, exercised their right to redeem their shares for cash at a redemption price of approximately \$10.07 per share, for an aggregate redemption amount of \$75.3 million.
- The Business Combination was effected through the merger of Legacy AgileThought with and into LIVK, whereupon the separate corporate existence of Legacy AgileThought ceased and LIVK was the surviving corporation.
- On the Closing Date, the Company changed its name from LIV Capital Acquisition Corp. to AgileThought, Inc.

- An aggregate of 34,557,480 shares of Class A common stock were issued to holders of Legacy AT common stock and 2,000,000 shares of Class A common stock were issued to holders of Legacy AT preferred stock as merger consideration.
- After adjusting its embedded derivative liabilities to fair value, upon conversion of the preferred stock, the Company's embedded derivative liabilities were extinguished during the third quarter of 2021. Refer to [Note 4, Fair Value Measurements](#), for additional information.
- The Company's private placement warrants meet the criteria for liability classification. For additional information on our warrants, refer to [Note 14, Warrants](#), and [Note 4, Fair Value Measurements](#).

The following table reconciles the elements of the Business Combination to the additional paid-in capital in the Unaudited Condensed Consolidated Statement of Stockholders' Equity for the year ended December 31, 2021:

<i>(in thousands USD)</i>	<b>Business Combination</b>	
Cash - LIVK trust and cash, net of redemptions	\$	5,749
Cash - PIPE Financing		27,600
Less: Transaction costs		<u>(13,033)</u>
Net proceeds from the Business Combination		20,316
Less: Initial fair value of warrant liabilities recognized in the Business Combination		<u>(15,123)</u>
Equity classification of Public Warrants		8,292
Surrender of related party receivables		<u>(1,359)</u>
Debt conversion		38,120
Conversion of mezzanine equity <sup>(a)</sup>		<u>15,594</u>
Net adjustment to total equity from the Business Combination	\$	<u><u>65,840</u></u>

(a) Relates to the transfer from mezzanine equity to permanent equity of the preferred contribution received from LIV Capital on February 02, 2021, which was considered part of the PIPE financing and upon the transaction close, was reclassified to permanent equity of the Company.

The number of shares of Class A common stock issued immediately following the consummation of the Business Combination:

	<b>Number of Shares</b>
Class A ordinary shares of LIVK outstanding prior to the Business Combination	8,050,000
Less: redemption of LIVK's Class A ordinary shares	<u>(7,479,065)</u>
Shares of LIVK's Class A ordinary shares	570,935
Shares held by LIVK's sponsor and its affiliates	2,082,500
Shares issued in the PIPE Financing	2,760,000
Shares issued to convert Legacy AgileThought's preferred stock to Class A common stock	2,000,000
Shares issued to Legacy AgileThought's common stock holders	<u>34,557,480</u>
Total shares of Class A common stock immediately after the Business Combination	<u><u>41,970,915</u></u>

#### **Note 4 – Fair Value Measurements**

The carrying amount of assets and liabilities including cash, cash equivalents, and restricted cash, accounts receivable and accounts payable approximated their fair value as of March 31, 2022, and December 31, 2021, due to the relative short maturity of these instruments.

##### ***Long-term Debt***

Our debt is not actively traded and the fair value estimate is based on discounted estimated future cash flows or a fair value in-exchange assumption, which are significant unobservable inputs in the fair value hierarchy. As such, these estimates are classified as Level 3 in the fair value hierarchy.

The following table summarizes our instruments where fair value differs from carrying value:

(in thousands USD)	Fair Value Hierarchy Level	March 31, 2022		December 31, 2021	
		Carry Amount	Fair Value	Carry Amount	Fair Value
Bank credit agreement	Level 3	\$ 31,270	\$ 31,947	\$ 31,882	\$ 31,897
New Second Lien Facility	Level 3	17,069	17,068	16,120	16,214

The above table excludes our revolving credit facility, subordinated promissory note payable and subordinated zero-coupon loan as these balances approximate fair value due to the short-term nature of our borrowings. The above table also excludes our Paycheck Protection Program loans (“PPP loans”) as the carrying value of the Company’s PPP loans approximates fair value based on the current yield for debt instruments with similar terms. Refer to [Note 8, Long-term Debt](#), for additional information.

#### Contingent Purchase Price

The Company carries its obligations for contingent purchase price at fair value. The Company recorded the acquisition-date fair value of these contingent liabilities based on the likelihood of contingent earn-out payments and stock issuances subject to the underlying agreement terms. This estimate is classified as Level 3 in the fair value hierarchy. The significant unobservable inputs used in the fair value of the Company’s obligation for contingent purchase price was the discount rate, growth assumptions, and earnings thresholds. After December 31, 2021, the Company subsequently adjusted its contingent purchase price obligation based on payments, accrued interest and exchange rate fluctuations. The following table provides a roll-forward of the obligations for contingent purchase price:

(in thousands USD)	Contingent Purchase Price
Opening balance, December 31, 2021	\$ 8,791
Cash payments	—
Accrued interest on the contingent consideration	180
Effect of exchange rate fluctuations	55
Ending balance, March 31, 2022	9,026
Less: Current portion	9,026
Obligation for contingent purchase price, net of current portion	\$ —

#### Warrant Liability

As of March 31, 2022, the Company has private placement warrants, which are liability classified, as discussed in [Note 14, Warrants](#). The Company’s private placement warrants are classified as Level 3 of the fair value hierarchy due to use of significant inputs that are unobservable in the market. Private placement warrants are fair valued using the Black-Scholes model, which require a risk-free rate assumption based upon constant-maturity treasury yields. Other significant inputs and assumptions in the model are the stock price, exercise price, volatility, and term or maturity. The volatility input was determined using the historical volatility of comparable publicly traded companies which operate in a similar industry or compete directly against the Company.

The following table presents the changes in the fair value of private warrant liability at March 31, 2022:

(in thousands USD)	Private Placement Warrants
Beginning balance, January 1, 2022	\$ 2,137
Change in valuation inputs and other assumptions	478
Ending balance, March 31, 2022	\$ 2,615

## Note 5 – Balance Sheet Details

The following table provides detail of selected balance sheet items:

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 2,501	\$ 8,463
Restricted cash	212	177
Total cash, cash equivalents and restricted cash	<u>\$ 2,713</u>	<u>\$ 8,640</u>

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
Accounts receivables	\$ 19,834	\$ 19,173
Unbilled accounts receivables	17,295	11,716
Other receivables	741	686
Allowance for doubtful accounts	(193)	(188)
Total accounts receivable, net	<u>\$ 37,677</u>	<u>\$ 31,387</u>

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
Income tax receivables	\$ 2,554	\$ 2,369
Prepaid expenses and other current assets	5,444	5,121
Total prepaid expenses and other current assets	<u>\$ 7,998</u>	<u>\$ 7,490</u>

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
Accrued wages, vacation & other employee related items	\$ 3,980	\$ 2,387
Accrued interest	312	381
Accrued incentive compensation	87	654
Receipts not vouchered	6,512	5,872
Accrued liabilities - Related Party	—	17
Other accrued liabilities	951	467
Total accrued liabilities	<u>\$ 11,842</u>	<u>\$ 9,778</u>

The following table is a rollforward of the allowance for doubtful accounts:

<i>(in thousands USD)</i>	Three Months Ended March 31,	
	2022	2021
Beginning balance, January 1	\$ 188	\$ 267
Charges to expense	3	10
Foreign currency translation	2	(4)
Ending balance	<u>\$ 193</u>	<u>\$ 273</u>

## Note 6 – Property and Equipment, Net

Property and equipment, net consist of the following:

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
Computer equipment	\$ 4,191	\$ 4,210
Leasehold improvements	2,247	2,179
Furniture and equipment	1,365	1,691
Computer software	2,432	2,240
Transportation equipment	27	55
	<u>10,262</u>	<u>10,375</u>
Less: accumulated depreciation	(7,414)	(7,268)
Property and equipment, net	<u>\$ 2,848</u>	<u>\$ 3,107</u>

Depreciation expense was \$0.2 million and \$0.3 million for the three months ended March 31, 2022 and 2021, respectively. The Company did not recognize any impairment expense related to property and equipment for the three months ended March 31, 2022 or 2021.

## Note 7 – Goodwill and Intangible Assets, Net

The Company performs an assessment each year to test goodwill and indefinite-lived intangible assets for impairment, or more frequently in certain circumstances where impairment indicators arise.

The following table presents changes in the goodwill balances as of March 31, 2022:

<i>(in thousands USD)</i>	LATAM	USA	Total
December 31, 2021	\$ 39,651	\$ 30,694	\$ 70,345
Foreign currency translation	497	—	497
March 31, 2022	<u>\$ 40,148</u>	<u>\$ 30,694</u>	<u>\$ 70,842</u>

Summary of our finite-lived intangible assets is as follows:

<i>(in thousands USD)</i>	As of March 31, 2022				Weighted Average Remaining Useful Life (Years)
	Gross Carrying Amount	Currency Translation Adjustment	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 89,915	\$ (163)	\$ (25,329)	64,423	11.5
Tradename	1,234	(2)	(303)	929	3.6
Total	<u>\$ 91,149</u>	<u>\$ (165)</u>	<u>\$ (25,632)</u>	<u>\$ 65,352</u>	11.4

  

<i>(in thousands USD)</i>	As of December 31, 2021				Weighted Average Remaining Useful Life (Years)
	Gross Carrying Amount	Currency Translation Adjustment	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 89,915	\$ (973)	\$ (23,669)	\$ 65,273	11.8
Tradename	1,234	(31)	(243)	960	3.9
Total	<u>\$ 91,149</u>	<u>\$ (1,004)</u>	<u>\$ (23,912)</u>	<u>\$ 66,233</u>	11.7

In 2021, the Company changed the estimated life of a certain tradenames from indefinite to finite-lived and began amortizing it over the average remaining economic life of five years (See [Note 2, Summary of Significant Accounting Policies](#)).

No impairment charges were recognized related to finite-lived intangible assets during the three months ended March 31, 2022 and 2021.

The Company's indefinite-lived intangible assets relate to trade names acquired in connection with business combinations. The trade names balance was \$16.4 million and \$16.3 million as of March 31, 2021 and December 31, 2021, respectively. No impairment charges were recognized related to infinite-lived intangible assets during the three months ended March 31, 2022 and 2021.

#### Note 8 – Long-term Debt

Long-term debt as of March 31, 2022 and December 31, 2021 consists of the following:

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
Borrowings under bank revolving credit agreement, principal due Nov. 10, 2023	\$ 5,000	\$ 5,000
Borrowings under bank credit agreement, principal due Nov. 10, 2023	31,270	31,882
Unamortized debt issuance costs and debt premium <sup>(a)</sup>	677	(6,915)
Borrowing under bank credit agreements, net of unamortized debt issuance costs	36,947	29,967
Paycheck Protection Program loans, 1% interest, due May 2, 2025	336	7,673
Subordinated promissory note payable with a related party, 20% effective December 21, 2021, principal due May 12, 2022	673	673
Subordinated debt, guaranteed by a related party, principal due July 26, 2022	3,700	3,700
Unamortized debt issuance costs <sup>(a)</sup>	(304)	(76)
Subordinated debt, guaranteed by a related party, net of unamortized debt issuance costs	3,396	3,624
Borrowings under convertible note payable with a related party, 11% interest capitalized every three months, principal due March 15, 2023	6,565	6,372
Borrowings under convertible note payable with a related party, 17.41% interest capitalized every three months, principal due March 15, 2023	10,504	9,748
Unamortized debt issuance costs <sup>(a)</sup>	(766)	(945)
New Second Lien Facility, net of unamortized debt issuance costs	16,303	15,175
<b>Total debt</b>	<b>57,655</b>	<b>57,112</b>
Less: current portion of debt	10,888	14,838
<b>Long-term debt, net of unamortized debt issuance costs and current portion</b>	<b>\$ 46,767</b>	<b>\$ 42,274</b>

(a) Debt issuance costs are presented as a reduction of the Company's debt in the Unaudited Condensed Consolidated Balance Sheets. \$0.4 million and \$0.3 million of debt issuance cost amortization was charged to interest expense for the three months ended March 31, 2022 and 2021. Debt premium of \$0.7 million was recognized upon extinguishment of debt and is presented as an addition to the Company's debt in the Unaudited Condensed Consolidated Balance Sheet.

#### Credit Agreements

In 2018, the Company entered into a revolving credit agreement with Monroe Capital Management Advisors LLC that permits the Company to borrow up to \$1.5 million through November 10, 2023. In 2019, the agreement was amended to increase the borrowing limit to \$5.0 million. Interest is paid monthly and calculated as LIBOR plus a margin of 8.0% to 9.0%, based on the Total Leverage Ratio as calculated in the most recent Compliance Certificate. An additional 2.0% interest may be incurred during periods of loan covenant default. At March 31, 2022, the interest rate was 10.0%. The Company must pay an annual commitment fee of 0.5% on the unused portion of the commitment. At March 31, 2022 and December 31, 2021, the Company had no availability under this facility.

In 2018, the Company entered into a term loan credit agreement with Monroe Capital Management Advisors LLC ("First Lien Facility") that permits the Company to borrow up to \$75.0 million through November 10, 2023. In 2019, the agreement was amended to increase the borrowing amount to \$98.0 million. Interest is paid monthly and calculated as LIBOR plus a

margin of 8.0% to 9.0%, based on the Total Leverage Ratio as calculated in the most recent Compliance Certificate. An additional 2.0% interest may be incurred during periods of loan covenant default. At March 31, 2022, the interest rate was 10.0%. Principal payments of \$0.6 million are due quarterly until maturity, at which time the remaining outstanding balance is due. Based on amendment dated February 2, 2021, the Company shall pay, in place of the first two regular quarterly principal installments of 2021, from February 2021 through and including July 2021, monthly principal installments of \$1.0 million on the last business day of each of these six calendar months.

On March 22, 2021, the Company used \$20.0 million from proceeds of issuance of preferred stock to partially pay the First Lien Facility. Refer to [Note 15, Stockholders' Equity](#), for additional information on issuance of preferred stock.

On June 24, 2021, an amendment was signed to modify the debt covenants for the periods June 30, 2021 and thereafter. In addition to the covenant modifications, the amendment also established the deferral of the monthly \$1.0 million principal payments previously due in April and May, along with the \$1.0 million payments due in June and July to September 30, 2021. As a result, the regular quarterly principal installments resumed, and the First Lien lenders charged a \$4.0 million fee paid upon the end of the term loan in exchange for the amended terms. The amendment resulted in a debt modification, thus the fees payable to the First Lien lenders were capitalized and were being amortized over the remaining life of the First Lien Facility.

On September 30, 2021, the Company entered into an amendment to extend the due date of the \$4.0 million in principal payments previously due for April, May, June and July, from September 30, 2021 to October 15, 2021. On October 14, 2021, the Company entered into an amendment to extend the due date from October 15, 2021 to October 29, 2021. On October 29, 2021, the Company entered into an amendment to further extend the due date from October 29, 2021 to November 19, 2021.

On November 15, 2021, the Company entered into an amendment to reset the First Lien Facility's Total Leverage Ratio and Fixed Charge Coverage Ratio covenants for the quarterly periods of September 30, 2021 to December 31, 2022.

On November 29, 2021, the Company made a \$20.0 million principal prepayment, which included the \$4.0 million principal payment that was originally due September 30, 2021. The Company made this payment with proceeds from the New Second Lien Facility (defined below). Furthermore, on December 29, 2021, the Company issued 4,439,333 shares of Class A Common Stock to the administrative agent for the First Lien Facility (the "First Lien Shares"), which subject to certain terms and regulatory restrictions, may sell the First Lien Shares upon the earlier of August 29, 2022 and an event of default and apply the proceeds to the outstanding balance of the loan. Subject to regulatory restrictions, the Company may issue additional First Lien Shares from time to time to reduce the amount of debt for purposes of the Total Leverage Ratio to the extent necessary to comply with such financial ratio. In addition, the Company agreed to issue warrants to the administrative agent to purchase \$7.0 million worth of the Company's Class A Common Stock for nominal consideration. The warrants will be issued on the date that all amounts under the First Lien Facility have been paid in full. In addition, the Company may be required to pay the First Lien lenders cash to the extent that we cannot issue some or all of the warrants due to regulatory restrictions. The First Lien lenders charged an additional \$2.9 million fee paid upon the end of the term loan in exchange for the amended terms.

On November 22, 2021, the Company entered into an amendment that requires sixty percent (60%) of proceeds from equity issuances be used to repay the outstanding balance on the First Lien Facility. On December 27, 2021, the Company closed a follow on stock offering resulting in \$21.8 million of net proceeds, of which \$13.7 million was used as payment of the outstanding principal and interest balances for the First Lien Facility.

On March 30, 2022, the Company entered into an amendment with the First Lien and Second Lien Facility Lenders to waive the Fixed Charge Coverage Ratio for March 31, 2022. In addition, the Total Leverage Ratio covenant for the quarterly period of March 31, 2022 was reset. As consideration for entering into this amendment, the Company agreed to pay the First Lien Facility's administrative agent a fee equal to \$500,000. The fee shall be fully earned as of March 30, 2022 and shall be due and payable upon the end of the term loan. However, the fee shall be waived in its entirety if final payment in full occurs prior to or on May 30, 2022. This modification triggered by this new amendment was determined to be substantially different to the old instrument, therefore the modification was accounted for as an extinguishment and the debt instrument was adjusted to fair value as of the March 31, 2022. The Company recognized a loss on debt extinguishment of \$7.1 million in the Unaudited Condensed Consolidated Statement of Operations. At March 31, 2022, total fees payable at the end of the term loan, including fees recognized from prior amendments, totaled \$7.4 million. These fees are recognized in Other noncurrent liabilities in the Unaudited Condensed Consolidated Balance Sheet.

#### Second Lien Facility

On July 18, 2019, the Company entered into separate credit agreements with Nexus Capital and Credit Suisse ("the Creditors") that permits the Company to borrow \$12.5 million from each bearing 13.73% interest. On January 31, 2020, the agreements were amended to increase the borrowing amount by \$2.05 million under each agreement. Interest is capitalized every six months and is payable when the note is due. Immediately prior to the Business Combination, the Creditors exercised their option to convert their combined \$38.1 million of debt outstanding (including interest) into 115,923 shares of the

Company's Class A ordinary shares, which were converted into the Company's Class A common stock as a result of the Business Combination. Concurrently with the conversion, the Company amortized the remaining \$0.1 million of unamortized debt issuance costs and recognized incremental interest expense in the Unaudited Condensed Consolidated Statements of Operations.

#### New Second Lien Facility

On November 22, 2021, the Company entered into a new Second Lien Facility (the "New Second Lien Facility") with Nexxus Capital and Credit Suisse (both of which are existing AgileThought shareholders and have representation on AgileThought's Board of Directors), Manuel Senderos, Chief Executive Officer and Chairman of the Board of Directors, and Kevin Johnston, Global Chief Operating Officer. The New Second Lien Facility provides for a term loan facility in an initial aggregate principal amount of approximately \$20.7 million, accruing interest at a rate per annum from 11.00% for the US denominated loan and 17.41% for the Mexican Peso denominated Loan. The New Second Lien Facility has an original maturity date of March 15, 2023. If the First Lien Facility remains outstanding on December 15, 2022, the maturity date of the New Second Lien Facility will be extended to May 10, 2024. The New Second Lien Facility also includes an option for the Company to extend the maturity date an additional 18 months. The Company recognized \$0.9 million in debt issuance costs with the issuance.

Each lender under the New Second Lien Facility has the option to convert all or any portion of its outstanding loans into AgileThought Class A Common Stock on or after December 15, 2022 or earlier, upon our request, at a conversion price equal to the closing price of one share of our Class A Common Stock on the trading day immediately prior to the conversion date. The amounts outstanding under the New Second Lien Facility will only convert into up to 2,098,545 shares of our Class A Common Stock and will only convert at a price per share equal to the then-current market value. On December 27, 2021, Manuel Senderos and Kevin Johnston exercised the conversion options for their respective loan amounts of \$4.5 million and \$0.2 million, respectively. See [Note 15, Stockholders' Equity](#), for additional information.

#### Paycheck Protection Program Loans

On April 30, 2020 and May 1, 2020, the Company received PPP loans through four of its subsidiaries for a total amount of \$9.3 million. The PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the United States federal government, and do not require collateral. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company submitted its forgiveness applications to the Small Business Administration ("SBA") between November 2020 and January 2021. The monthly repayment terms were established in the notification letters with the amount of loan forgiveness. On December 25, 2020, \$0.1 million of a \$0.2 million PPP loan was forgiven. On March 9, 2021, \$0.1 million of a \$0.3 million PPP loan was forgiven. On June 13, 2021, \$1.2 million of a \$1.2 million PPP loan was forgiven. On January 19, 2022, \$7.3 million of a \$7.6 million PPP loan was forgiven resulting in a remaining PPP Loan balance of \$0.3 million of which \$0.1 million is due within the next year. The remaining payments will be made quarterly until May 2, 2025. All loan forgiveness was recognized in Other income (expense), net of the Unaudited Condensed Consolidated Statements of Operations.

#### Subordinated Promissory Note

On June 24, 2021, the Company entered into a credit agreement with AGS Group LLC ("AGS Group") for a principal amount of \$0.7 million. The principal amount outstanding under this agreement matures on December 20, 2021 ("Original Maturity Date") and was extended until May 19, 2022 ("Extended Maturity Date"). Interest is due and payable in arrears on the Original Maturity Date at a 14.0% per annum until and including December 20, 2021 and at 20.0% per annum from the Original Maturity Date to the Extended Maturity Date calculated on the actual number of days elapsed.

#### Exitus Capital Subordinated Debt

On July 26, 2021, the Company agreed with existing lenders and Exitus Capital ("Subordinated Creditor") to enter into a zero-coupon subordinated loan agreement with Exitus Capital in an aggregate principal amount equal to \$3.7 million ("Subordinated Debt"). No periodic interest payments are made and the loan was due on January 26, 2022, with an option to extend up to two additional six month terms. Net loan proceeds totaled \$3.2 million, net of \$0.5 million in debt discount. Payment of any and all of the Subordinated Debt shall be subordinate of all existing senior debt. In the event of any liquidation, dissolution, or bankruptcy proceedings, all senior debt shall first be paid in full before any distribution shall be made to the Subordinated Creditor. The loan is subject to a 36% annual interest moratorium if full payment is not made upon the maturity date. On January 25, 2022, the Company exercised the option to extend the loan an additional six months to July 26, 2022. The Company recognized an additional \$0.5 million in debt issuance costs related to the loan extension.

## Financial Covenants

The First Lien Facility and New Second Lien Facility establish the following financial covenants for the consolidated group:

**Fixed Charge Coverage Ratio.** The Fixed Charge Coverage Ratio applies to the consolidated group. For each Computation Period, it is the ratio of (a) EBITDA (as defined in the credit agreement) minus permitted tax distributions (or other provisions for taxes based on income) made during the Computation Period, minus all unfinanced capital expenditures made thereby in such Computation Period to (b) fixed charges (as defined in the credit agreement).

**Capital Expenditures.** Requires the Company's aggregate capital expenditures in any fiscal year to not exceed the capital expenditures limit for that fiscal year.

**Total Leverage Ratio.** The Total Leverage Ratio applies to the consolidated group and is determined in accordance with US GAAP. It is calculated as of the last day of any Computation Period as the ratio of (a) total debt (as defined in credit agreement) to (b) EBITDA for the Computation Period ending on such day.

The Company received a waiver for the Fixed Charge Coverage Ratio and was compliant with all other debt covenants as of March 31, 2022.

The capital expenditure annual limits in place as of March 31, 2022 are:

<u>Computation Period Ending</u>	<u>Capital Expenditure Annual Limit</u>
March 31, 2022 Computation Periods ending June 30 and September 30, 2022	\$ 2.10 million
December 31, 2022 and each Computation Period ending thereafter	\$ 2.20 million

The covenants requirements in place for the First Lien Facility as of March 31, 2022 are:

<u>Computation Period Ending</u>	<u>Fixed Charge Coverage Ratio to exceed</u>	<u>Total Leverage Ratio not to exceed</u>
March 31, 2022	Not Tested	7.15:1.00
June 30, 2022 and September 30, 2022	0.20:1.00	4.00:1.00
December 31, 2022 and each Computation Period ending thereafter	1.00:1.00	4.00:1.00

The covenants requirements in place for the New Second Lien Facility as of March 31, 2022 are:

<u>Computation Period Ending</u>	<u>Fixed Charge Coverage Ratio to exceed</u>	<u>Total Leverage Ratio not to exceed</u>
March 31, 2022	Not Tested	19.15:1.00
June 30, 2022 and September 30, 2022	0.20:1.00	10.00:1.00
December 31, 2022 and each Computation Period ending thereafter	1.00:1.00	10.00:1.00

**Note 9 – Other Income (Expense)**

Items included in other income (expense) in the Unaudited Condensed Consolidated Statements of Operations are as follows:

<i>(in thousands USD)</i>	Three Months Ended March 31,	
	2022	2021
Foreign exchange gain (loss)	\$ 252	\$ (1,336)
Forgiveness of PPP loans	7,280	63
Other interest (expense) income	(5)	23
Other non-operating expense	(206)	(58)
Total other income (expense)	\$ 7,321	\$ (1,308)

**Note 10 – Income Taxes**

Income tax expense (benefit) and effective income tax rate were as follows for the periods indicated:

<i>(in thousands USD)</i>	Three Months Ended March 31,	
	2022	2021
Income tax expense (benefit)	\$ 251	\$ (608)
Effective tax rates	(4.2 %)	13.7 %

The Company computes its year-to-date provision for income taxes by applying the estimated annual effective tax rate to year-to-date pretax income or loss and adjusts the provision for discrete tax items recorded in the period.

For the three months ended March 31, 2022, the Company reported a tax expense of \$0.3 million on a pretax loss of \$6.0 million which resulted in an effective tax rate of (4.2)%. The Company's effective tax rate differs from the U.S. statutory rate of 21% due to the mix of earnings in international jurisdictions with relatively higher tax rates and losses incurred in jurisdictions for which no tax benefit is recognized.

For the three months ended March 31, 2021, the Company reported a tax benefit of \$0.6 million on a pretax loss of \$4.4 million, which resulted in an effective tax rate of 13.7%. The Company's effective tax rate differs from the U.S. Statutory rate of 21% primarily due to discrete tax items recorded in the first quarter primarily related to provision to return adjustments and losses incurred in jurisdictions for which no tax benefit is recognized.

**Note 11 – Net Revenues**

Disaggregated revenues by contract type and the timing of revenue recognition are as follows:

<i>(in thousands USD)</i>	Revenues by Contract Type	Timing of Revenue Recognition	Three Months Ended March 31,	
			2022	2021
	Time and materials	over time	\$ 33,251	\$ 30,541
	Fixed price	over time	10,973	6,672
	Total		\$ 44,224	\$ 37,213

*Liabilities by contract related to contracts with customers*

As of March 31, 2022 and December 31, 2021, deferred revenues were \$2.4 million and \$1.8 million, respectively. During the three months ended March 31, 2022 and 2021, the Company recognized revenue of \$1.4 million and \$0.7 million, respectively, that was deferred in the previous period.

*Major Customers*

The Company derived 13% of its revenues for the three months ended March 31, 2022 from one significant customer, as well as 13%, 11% and 11% of our revenues for the three months March 31, 2021 from three significant customers. Sales to these customers occur at multiple locations and the Company believes that the loss of these customers would have only a short-

term impact on our operating results. There is risk, however, that the Company would not be able to identify and access a replacement market at comparable margins.

#### Note 12 – Segment Reporting and Geographic Information

The Company operates as a single operating segment. The Company's chief operating decision maker is the CEO, who reviews financial information presented on a consolidated basis, for purposes of making operating decisions, assessing financial performance and allocating resources.

The following table presents the Company's geographic net revenues based on the geographic market where revenues are accumulated, as determined by customer location:

<i>(in thousands USD)</i>	Three Months Ended March 31,	
	2022	2021
United States	\$ 28,998	\$ 24,520
Latin America	15,226	12,693
Total	\$ 44,224	\$ 37,213

The following table presents certain of our long-lived assets by geographic area, which includes property and equipment, net and operating lease right of use assets, net:

<i>(in thousands USD)</i>	March 31, 2022	December 31, 2021
United States	\$ 5,119	\$ 5,837
Latin America	3,369	3,704
Total long-lived assets	\$ 8,488	\$ 9,541

#### Note 13 – Restructuring

Restructuring expenses consist of costs associated with the ongoing reorganization of our business operations and expense re-alignment efforts.

In November 2021, we communicated efforts to streamline our operating model further by reducing layers of management and reducing our cost structure. These restructuring efforts included consolidating the Chief Revenue Officer's responsibilities with the Global Chief Operating Officer position, consolidating span of control of sales managers from eight to four, and a reduction of underutilized bench personnel. The Company exited employees in the last half of the three months ended December 31, 2021. During the first quarter of 2022 the Company incurred additional restructuring costs related to additional terminations and consolidation of our marketing department. The remainder of restructuring expenses are expected to be completed within the third quarter of 2022.

The following table summarizes the Company's restructuring activities included in accrued liabilities:

<i>(in thousands USD)</i>	Organization Restructuring
Balance as of December 31, 2021	\$ 552
Restructuring charges	753
Payments	(814)
Balance as of March 31, 2022	\$ 491

#### Note 14 - Warrants

The Company reviewed the accounting for both its public warrants and private warrants and determined that its public warrants should be accounted for as equity while the private warrants should be accounted for as liabilities in the Unaudited Condensed Consolidated Balance Sheets.

In connection with the Business Combination, each public and private placement warrant of LIVK was assumed by the Company and represents the right to purchase one share of the Company's Class A common stock upon exercise of such warrant. The fair value of private placement warrants was remeasured as of March 31, 2022. During the first quarter of 2022,

the Company recognized a loss of \$0.5 million on private placement warrants to reflect the change in fair value. Refer to [Note 4, Fair Value Measurements](#), for additional information.

As of March 31, 2022, there were 8,049,980 public warrants and 2,811,250 private placement warrants outstanding.

As part of LIVK's initial public offering, 8,050,000 public warrants ("Public Warrants") were sold. The Public Warrants entitle the holder to purchase one share of Class A common stock at a price of \$11.50 per share. Public Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants became exercisable when the Company completed an effective registration statement. The Public Warrants will expire five years from the completion of a Business Combination or earlier upon redemption or liquidation.

Additionally, LIVK consummated a private placement of 2,811,250 warrants ("Private Placement Warrants"). The Private Placement Warrants entitle the holder to purchase one share of Class A common stock at a price of \$11.50 per share. The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the Class A common stock issuable upon the exercise of the Private Placement Warrants were not transferable, assignable or salable until 30 days after the completion of the Business Combination. Additionally, the Private Placement Warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants are redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company will not be obligated to deliver any Class A common stock pursuant to the exercise of a Public Warrant and will have no obligation to settle such Public Warrant exercise unless a registration statement under the Securities Act covering the issuance of the Class A common stock issuable upon exercise of the Public Warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration. The Company filed a Form S-1 to register the shares issuable upon exercise of the Public Warrants which was declared effective on September 27, 2021. No Public Warrant will be exercisable for cash or on a cashless basis, and the Company will not be obligated to issue any shares to holders seeking to exercise their Public Warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption from registration is available.

Once the warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder and if, and only if, the reported last sale price of the Class A common stock equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations and recapitalizations), for any 20 trading days within a 30 trading day period commencing after the warrants become exercisable and ending on the third business day prior to the notice of redemption to warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the Class A common stock underlying such warrants.

If and when the Public Warrants become redeemable by the Company, the Company may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of ordinary shares issuable upon exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, the Public Warrants will not be adjusted for issuances of ordinary shares at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Public Warrants.

## Note 15 – Stockholders' Equity

As a result of the Business Combination, the Company authorized two classes of common stock: Class A common stock and preferred stock.

### *Class A Common Stock*

As of March 31, 2022, the Company has 210,000,000 shares of Class A common stock authorized, and 50,473,423 shares issued and outstanding. Class A common stock has par value of \$0.0001 per share. Holders of Class A common stock are entitled to one vote per share.

On December 21, 2021, AgileThought, Inc. entered into an underwriting agreement with A.G.P./Alliance Global Partners as representatives of the underwriters (the "Underwriters"), relating to the sale and issuance of 3,560,710 shares of the Company's Class A common stock. The offering price to the public of the shares was \$7.00 per share, and the Underwriters agreed to purchase the shares from the Company pursuant to the underwriting agreement at a price of \$6.51 per share. The Company's net proceeds from the offering were approximately \$21.8 million.

On December 27, 2021, the Company issued 461,236 shares of Class A Common Stock (the "Conversion Shares") to Mr. Senderos and Mr. Johnston upon conversion of their loans under the New Second Lien Facility in the amount of \$4,500,000 and \$200,000, respectively. Mr. Senderos received 441,409 Conversion Shares, and Mr. Johnston received 19,827 Conversion Shares.

On December 28, 2021, the Company issued 4,439,333 shares of Class A Common Stock to the administrative agent for the First Lien Facility in accordance with the amendment dated November 15, 2021. As these common shares have been issued to and are held by the lender, and are contingently returnable to the Company under certain conditions, such shares are considered as issued and outstanding on the Company's balance sheet, but are not included in earnings per share calculations for all periods presented. See [Note 9, Long-Term Debt](#), for further information.

On January 27, 2022, the Company issued 2,228,000 Restricted Stock Units ("RSU") to senior employees and directors under the 2021 Equity Incentive Plan, of which 228,000 RSUs are subject to a service vesting condition and 2,000,000 RSUs are subject to time and market vesting requirement. See [Note 17, Equity-based Arrangements](#), for further information.

### *Preferred Stock*

Under the Company's certificate of incorporation, the Company is authorized to issue 10,000,000 shares of preferred stock having par value of \$0.0001 per share. The Company's Board of Directors has the authority to issue shares of preferred stock in one or more series and to determine preferences, privileges, and restrictions, including voting rights, of those shares. As of March 31, 2022, no shares were issued and outstanding.

Prior to the Business Combination, the Company had three classes of equity: Class A ordinary shares, Class B ordinary shares and redeemable convertible preferred stock.

### *Legacy Class A and Class B Shares*

As of December 31, 2020, the capital stock is represented by 431,682 Class A Shares and 37,538 Class B Shares. Holders of Class A Shares were entitled to one vote per share and Holders of Class B Shares are not entitled to vote. The common shares have no preemptive, subscription, redemption or conversion rights. In connection with the Business Combination, the Company converted its Class A and Class B ordinary shares outstanding into shares of the Company's Class A common stock. As of March 31, 2022, no shares of Class A and Class B ordinary shares were outstanding.

### *Redeemable Convertible Preferred Stock*

On February 2, 2021, LIV Capital Acquisition Corp ("LIVK"), related parties to LIVK (and together with LIVK, the "Equity Investors") and the Company entered into an equity contribution agreement. Per the agreement, the Equity Investors purchased 2 million shares of a newly created class of preferred stock at a purchase price of \$10 per share for an aggregate purchase price of \$20 million.

The redeemable convertible preferred stock would be redeemable for an amount in cash equal to the greater of \$15 per share (the "Required Price"), or \$10 per share of redeemable convertible preferred stock plus 18% interest if the Business Combination did not occur (defined in the agreement as the "Required Return"), other than as a result of LIVK's failure to negotiate in good faith or failure to satisfy or perform any of its obligations under the merger agreement.

Additionally, the redeemable convertible preferred stock would be convertible into common shares of the Company either on a one to one basis in the event of the closing of the merger agreement, or if the merger agreement were terminated and the Company subsequently consummated an initial public offering, into a number of common shares of the Company equal to the Required Return divided by 0.9, or \$16.6667, multiplied by the price at which the shares of voting common stock of the Company are initially priced in such initial public offering.

The redeemable convertible preferred stock had no voting and dividend rights until converted into common stock and had a liquidation preference equal to the amount of the Required Return.

The Company concluded that because the redemption and conversion features of the Preferred Stock were outside of the control of the Company, the instrument was recorded as temporary or mezzanine equity in accordance with the provisions of Accounting Series Release No. 268, *Presentation in Financial Statements of Redeemable Preferred Stocks*.

In connection with the Business Combination, all redeemable convertible preferred stock was converted into shares of Class A common stock on a one for one basis. As of March 31, 2022, no shares of redeemable convertible preferred stock were outstanding.

#### Note 16 – Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share, retroactively restated based on the Business Combination, attributable to common stockholders:

<i>(in thousands USD, except share and loss per share data)</i>	Three Months Ended March 31,	
	2022	2021
Net loss attributable to common stockholders - basic and diluted	\$ (6,347)	\$ (3,865)
Weighted average number of common stock - basic and diluted	46,022,767	34,557,480
Net loss per common stock - basic and diluted	<u>\$ (0.14)</u>	<u>\$ (0.11)</u>

The following table presents securities that are excluded from the computation of diluted net loss per common stock as of the periods presented because including them would have been antidilutive:

	March 31,	
	2022	2021
Public and private warrants	10,861,230	—
Class A common stock held by administrative agent with restricted resale rights	4,439,333	—
Unvested 2021 Plan awards for Class A shares with a service condition	130,001	—
Unvested 2021 Plan awards for Class A shares with a service and market condition	2,000,000	—
Unvested stock based compensation awards for Class A common stock with service and performance vesting conditions	—	1,500
Unvested stock based compensation awards for Class A shares upon occurrence of liquidity event	—	10,858

#### Note 17 – Equity-based Arrangements

The Company has granted various equity-based awards to its employees and board members as described below. The Company issues, authorized but unissued shares, for the settlement of equity-based awards.

##### 2021 Equity Incentive Plan

In connection with the Business Combination, the Company adopted the 2021 Equity Incentive Plan (the “2021 Plan”) on August 18, 2021, which became effective immediately upon the Closing. The 2021 Plan provides the Company with flexibility to use various equity-based incentive awards as compensation tools to motivate and retain the Company’s workforce. The Company initially reserved 5,283,216 shares of Class A common stock for the issuance of awards under the 2021 Equity Plan. The number of shares of Class A common stock available for issuance under the 2021 Plan automatically increases on the first day of each calendar year, beginning January 1, 2022 and ending on and including January 1, 2031, in an amount equal to 5% of the total number of shares of Class A common stock outstanding on December 31 of the preceding year; provided that the

Board may act prior to January 1 of a given year to provide that the increase of such year will be a lesser amount of shares of Class A common stock.

On January 27, 2022, the Company issued 2,228,000 Restricted Stock Units ("RSU") to senior employees and directors, of which 228,000 RSUs are subject to a service vesting condition and 2,000,000 RSUs are subject to service and market vesting requirements.

The awards subject to the service vesting requirements will vest over a three year period until 2023. The portion of the awards related to the 2021 service period immediately vested on the grant date. The remaining awards vest and are expensed on a graded basis each year. The grant date fair value for the service vested RSUs under the 2021 Equity Plan was approximately \$1.0 million. On January 27, 2022, 87,999 RSUs subject to service vesting conditions vested, of which 13,462 were withheld for taxes. Expense during the three months ended March 31, 2022 related to the service vested RSUs was \$0.4 million. The Company also cancelled 10,000 awards during the three months ended March 31, 2022.

The awards subject to both a service and market vesting condition will vest over a period of 6-10 years. The market condition is met if the volume-weighted average stock price reaches the specified stock price during the specified period. The grant date fair value for these RSUs was approximately \$4.3 million. The Company recognized \$0.1 million of expense during the three months ended March 31, 2022 using straight line amortization.

#### Employee Stock Purchase Plan

In connection with the Business Combination, on August 18, 2021, the Company adopted the 2021 Employee Stock Purchase Plan (the "ESPP") for the issuance of up to a total of 1,056,643 shares of Class A common stock. The number of shares reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, 2022 through January 1, 2031, by the lesser of (i) 1% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, and (ii) the number of shares equal to 200% of the initial share reserve, unless a smaller number of shares may be determined by the Board. The purchase price of Class A Common Stock will be 85% of the lesser of the fair market value of Class A Common Stock on the first trading date or on the date of purchase. No purchases have been made under the ESPP during the three months ended March 31, 2022.

#### 2020 Equity Plan

On August 4, 2020, the Company adopted the 2020 Equity Plan with the intent to encourage and retain certain of the Company's senior employees, as well as board members. Pursuant to the 2020 Equity Plan, senior employees may receive up to 7,465 of Class A RSUs subject to time-based vesting and the occurrence of a liquidity event while board members may receive up to 300 Class A RSUs subject to time-based vesting. The awards were granted on August 4, 2020 and generally vest ratably over a three-year service period on each successive August 4<sup>th</sup>. The grant date fair value for the RSUs under the 2020 Equity Plan was approximately \$5.8 million.

On May 9, 2021, the Company announced the acceleration of 1,372 performance-based RSUs that the Board previously granted which covered shares of the Company's Class A common stock pursuant to the Company's 2020 Equity Plan. The liquidity requirement of the accelerated of RSU's was removed per the Board approval on August 19, 2021. The acceleration of RSUs became effective immediately prior to the Business Combination. During the year ended December 31, 2021, the Company recognized \$1.0 million of equity-based compensation expense related to acceleration of RSUs pursuant to the 2020 Equity Plan.

On May 9, 2021 and August 16, 2021, the Company entered into RSU cancellation agreements with existing shareholders, cancelling a total of 4,921 RSUs. The RSU cancellation agreements were effective immediately prior to the Business Combination. Additionally, the remaining 1,472 RSUs were forfeited.

Additionally, concurrently with the Business Combination, the Company granted additional fully vested stock awards covering shares of Class A common stock pursuant to the 2020 Equity Incentive Plan. The compensation expense related to this award recognized during the August 2021 was \$5.5 million.

#### AgileThought, LLC PIP

In connection with the AgileThought, LLC acquisition in July 2019, the Company offered a performance incentive plan ("AT PIP") to key AgileThought, LLC employees. Pursuant to the AT PIP, participants may receive up to an aggregate of 3,150 Class A shares based on the achievement of certain EBITDA -based performance metrics during each of the fiscal years as follows: up to 1,050 shares for 2020, up to 1,050 shares for 2021, and up to 1,050 shares for 2022. The EBITDA-based

performance metrics were not met in 2021 or 2020 and the related awards were cancelled. The AT PIP was cancelled in August 2021.

#### 4th Source Performance Incentive Plan

On November 15, 2018, the Company acquired 4th Source and offered shares to key 4th Source employees under a Performance Incentive Plan (“the 4th Source PIP”).

Pursuant to the 4th Source PIP, participants may receive up to an aggregate of 8,394 shares based on the achievement of certain EBITDA-based performance metrics during each of the fiscal years as follows: up to 3,222 shares for 2019, up to 4,528 shares for 2020, and up to 644 shares for 2021. The EBITDA-based performance metric was not met in 2021 and the related PSUs were cancelled. The 4th Source PIP was cancelled in August 2021.

#### AgileThought Inc. Management Performance Share Plan

In 2019, the Company adopted the Management Performance Share Plan, which provides for the issuance of PSUs. These awards representing an aggregate of 1,232 Class A shares vest upon the occurrence of a liquidity event, attainment of certain performance metrics and service-based vesting criteria. On May 9, 2021 and August 16, 2021, the Company entered into RSU cancellation agreements with existing shareholders, cancelling a total of 1,232 RSUs pursuant to the 2019 AN Management Compensation Plan. The RSU cancellation agreements were effective immediately prior to the Business Combination.

#### 2017 AN Management Stock Compensation Plan

On May 9, 2021 and August 16, 2021, the Company entered into RSU cancellation agreements with existing shareholders, cancelling a total of 1,880 RSUs pursuant to the 2017 AN Management Compensation Plan. The RSU cancellation agreements were effective immediately prior to the Business Combination.

The following table summarizes all of our equity-based awards activity for the plans described above:

	Number of Awards	Weighted Average Grant Date Fair Value
<b>Awards outstanding as of December 31, 2021</b>	—	\$ —
Granted	2,228,000	2.56
Forfeited / cancelled	(10,000)	4.29
Vested	(87,999)	4.29
<b>Awards outstanding as of March 31, 2022</b>	<u>2,130,001</u>	<u>\$ 2.41</u>
Vested awards as of March 31, 2022	87,999	\$ 4.29
Unvested awards as of March 31, 2022	2,130,001	\$ 2.41

As of March 31, 2022, the Company had \$4.4 million of unrecognized stock-based compensation expense related to the 2021 Plan RSUs. The unrecognized stock-based compensation expense related to the RSUs is expected to be recognized over a weighted-average period of 7.1 years.

#### **Note 18 – Commitments and Contingencies**

The Company is, from time to time, involved in certain legal proceedings, inquiries, claims and disputes, which arise in the ordinary course of business. Although management cannot predict the outcomes of these matters, management does not believe these actions will have a material, adverse effect on the Company’s Unaudited Condensed Consolidated Balance Sheets, Unaudited Condensed Consolidated Statements of Operations or Unaudited Condensed Consolidated Statements of Cash Flows. As of March 31, 2022 and December 31, 2021, the Company had labor lawsuits in process, whose resolution is pending. As of March 31, 2022 and December 31, 2021, the Company has recorded liabilities for labor lawsuits and/or litigation of \$1.5 million and \$1.4 million, respectively.

**Note 19 – Supplemental Cash Flows**

The following table provides detail of non-cash activity and cash flow information:

<i>(in thousands USD)</i> Supplemental disclosure of non-cash investing activities & cash flow information	Three Months Ended March 31,	
	2022	2021
Forgiveness of loans	\$ 7,280	\$ 63
Right-of-use assets obtained in exchange for operating lease liabilities	77	450
Cash paid during the period for interest	932	2,428
Fees due to creditor	500	—

**Note 20 – Subsequent Events**

Management has evaluated all subsequent events until May 13, 2022, when the unaudited condensed consolidated financial statements were issued. Accordingly, where applicable, the notes to these unaudited condensed consolidated financial statements have been updated and adjustments to the Company's unaudited condensed consolidated financial statements have been reflected.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in Part II, Item 8 "Financial Statements and Supplementary Data" on our Annual Report on Form 10-K filed on March 31, 2022. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly under the captions "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

For purposes of this item only "AgileThought", "the Company," "we," "us" or "our" refer to AgileThought, Inc. and its subsidiaries, unless the context otherwise requires.

### Overview

We are a leading provider of agile-first, end-to-end digital transformation services in the North American market using onshore and nearshore delivery. We offer client-centric, onshore and nearshore agile-first digital transformation services that help our clients transform by building, improving and running new solutions at scale. Our services enable our clients to leverage technology more effectively to focus on better business outcomes. From consulting to application development and cloud services to data management and automation, we strive to create a transparent, collaborative, and responsive experience for our clients.

For the three months ended March 31, 2022, we had 108 active clients and for the twelve months ended March 31, 2022, we had 180 active clients.

As of March 31, 2022 we had 7 delivery centers across the United States, Mexico, Brazil, Argentina and Costa Rica from which we deliver services to our clients. As of March 31, 2022, we had 2,268 billable employees providing services remotely, from our talent centers or directly at client locations in the United States and Latin America. The breakdown of our employees by geography is as follows for the dates presented:

Employees by Geography	As of March 31,		As of December 31,
	2022	2021	2021
United States	310	382	355
Latin America	2,320	1,941	2,315
Total	2,630	2,323	2,670

Total headcount increased by 307 people from March 31, 2021 to March 31, 2022. The increase is related mainly to the hiring of 262 billable employees as a result of the increasing demand observed during 2021 and through the first quarter of 2022. Our Latin America based headcount increased by 379 people from March 31, 2021 to March 31, 2022 as a result of the hiring requirements to staff new contracts, whereas our United States based headcount decreased by 72 people during the same period, mainly as a result of the observed attrition in the region.

The following table presents our revenue by geography for the periods presented:

Revenue by Geography (in thousands)	Three Months Ended March 31,	
	2022	2021
United States	\$ 28,998	\$ 24,520
Latin America	15,226	12,693
Total	\$ 44,224	\$ 37,213

For the three months ended March 31, 2022, our revenue was \$44.2 million as compared to \$37.2 million for the three months ended March 31, 2021. We generated 65.6% and 65.9% of our revenue from clients located in the United States and 34.4% and 34.1% of our revenue from clients located in Latin America for the three months ended March 31, 2022 and 2021, respectively.

The following table presents our loss before income taxes for the periods presented:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in thousands)</b>	
Loss before income taxes	\$ (6,047)	\$ (4,443)

Our loss before income taxes was \$6.0 million and \$4.4 million for the three months ended March 31, 2022 and 2021, respectively, and, for the same periods, our loss as a percentage of revenue was 13.7% and 11.9%, respectively.

#### **Factors Affecting Our Performance**

We believe that the key factors affecting our performance and results of operations include our ability to:

##### ***Expand Our Client Footprint in the United States***

We are focused on growing our client footprint in the United States and furthering the application of our proven business capabilities in the U.S. market. We acquired 4<sup>th</sup> Source in 2018 and AgileThought, LLC in 2019, both of which are U.S. headquartered and operated companies. These acquisitions have strengthened our presence in the U.S. market. For the three months ended March 31, 2022 and 2021, we had 55 and 59 active clients in the United States, respectively, and for the twelve month period ended March 31, 2022 we had 80 active clients in the United States. We define an active client at a specific date as a client with whom we have recognized revenue for our services during the preceding 12-month period. As of March 31, 2022, we had 310 employees located in the United States. We believe we have a significant opportunity to penetrate the U.S. market further and expand our U.S. client base. Our ability to expand our footprint in the United States will depend on several factors, including the U.S. market perception of our services, our ability to increase nearshore delivery successfully, our ability to successfully integrate acquisitions, as well as pricing, competition and overall economic conditions, and to a lesser extent our ability to complete future complementary acquisitions.

##### ***Penetrate Existing Clients via Cross-Selling***

We seek to strengthen our relationships with existing clients by cross-selling additional services. We have a proven track record of expanding our relationship with clients by offering a wide range of complementary services. Our ten largest active clients based on revenue accounted for \$27.2 million, or 61.5%, and \$25.5 million, or 68.6%, of our total revenue in the twelve months ended March 31, 2022 and 2021, respectively. The average revenue from our ten largest clients was \$2.7 million and \$2.6 million for the three months ended March 31, 2022 and 2021. The following table shows the active clients concentration from the top client to the top twenty clients, for the periods presented:

<b>Client Concentration</b>	<b>Percent of Revenue for the Three Months Ended March 31, 2022</b>	
	<b>2022</b>	<b>2021</b>
Top client	12.4 %	13.3 %
Top five clients	42.4 %	49.3 %
Top ten clients	61.5 %	68.6 %
Top twenty clients	78.5 %	82.4 %

The following table shows the number of our active clients by revenue for the periods presented:

<b>Active Clients by Revenue</b>	<b>Twelve Months Ended March 31, 2022</b>	
	<b>2022</b>	<b>2021</b>
Over \$5 Million	9	6
\$2 – \$5 Million	9	9
\$1 – \$2 Million	11	12
Less than \$1 Million	151	205
<b>Total</b>	<b>180</b>	<b>232</b>

The decrease in the total number of active clients from March 31, 2021 to March 31, 2022 is mainly related to the completion of smaller customer projects and maintenance engagements in 2021 that were not subsequently renewed as a result of COVID-19 pandemic effects.

We believe we have the opportunity to further cross-sell our clients with additional services that we have enhanced through recent acquisitions. However, our ability to increase sales to existing clients will depend on several factors, including the level of client satisfaction with our services, changes in clients' strategic priorities and changes in key client personnel or strategic transactions involving clients, as well as pricing, competition and overall economic conditions.

#### ***Attract, Develop, Retain and Utilize Highly Skilled Employees***

We believe that attracting, training, retaining and utilizing highly skilled employees with capabilities in next-generation technologies will be key to our success. As of March 31, 2022, we had 2,630 employees. We continuously invest in training our employees and offer regular technical and language training, as well as other professional advancement programs. These programs not only help ensure our employees are well trained and knowledgeable, but also help enhance employee retention.

#### ***Strengthen Onshore and Nearshore Delivery with Diversification in Regions***

In order to drive digital transformation initiatives for our clients, we believe that we need to be near the regions in which our clients are located and in similar time zones. We have established a strong base for our onshore and nearshore delivery model across Mexico. We also have offices in Argentina, Brazil, Costa Rica and the United States to source diverse talent and be responsive to clients in our core markets. Since January 1, 2018, we have added 4 new delivery centers including one in the United States (Tampa, Florida) and three in Mexico (one in Mexico City and the other two in Merida and Colima as a result of the acquisitions). From December 31, 2021 to March 31, 2022, our delivery headcount remained flat, mainly driven by the observed voluntary and involuntary attrition specifically during January 2022. As we continue to grow our relationships, we will expand our delivery centers in other cities in Mexico and other countries in similar time zones, such as Argentina and Costa Rica. While we believe that we currently have sufficient delivery center capacity to address our near-term needs and opportunities, as the recovery from the COVID-19 pandemic continues to materialize, and as we continue to expand our relationships with existing clients, attract new clients and expand our footprint in the United States, we will need to expand our teams through remote work opportunities and at existing and new delivery centers in nearshore locations with an abundance of technical talent. As we do so, we compete for talented individuals with other companies in our industry and companies in other industries.

#### **Key Business Metrics**

We regularly monitor several financial and operating metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Our key non-GAAP and business metrics may be calculated in a different manner than similarly titled metrics used by other companies. See "Non-GAAP Measures" for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Gross Profit Margin	31.3 %	29.5 %
Adjusted EBITDA (in thousands)	\$ 1,053	\$ 1,927
Number of large active clients (at or above \$1.0 million of revenue in prior 12-month period) as of end of period	29	27
Revenue concentration with top 10 clients as of end of period	61.5 %	68.6 %

#### ***Gross Profit Margin***

We monitor gross profit margin to understand the profitability of the services we provide to our clients. Gross profit margin is calculated as net revenues for the period minus cost of revenue for the period, divided by net revenues.

### ***Adjusted EBITDA***

We monitor Adjusted EBITDA to understand the overall operating profitability of our business. We define and calculate EBITDA as net loss plus income tax expense (benefit), plus interest expense, net, plus depreciation and amortization. Adjusted EBITDA is EBITDA further adjusted to exclude the change in fair value of contingent consideration obligations, plus the change in fair value of embedded derivative liability, plus the change in fair value of warrant liability, plus equity-based compensation expense, plus impairment charges, plus restructuring expenses, plus foreign exchange loss (gain), plus (gain) loss on business dispositions, plus gain on debt extinguishment or debt forgiveness, plus certain transaction costs, plus certain other expense, net. These adjustments also include certain costs and transaction related items that are not reflective of the underlying operating performance of the Company.

See “Non-GAAP Measures” for additional information and a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA.

### ***Number of Large Active Clients***

We monitor our number of large active clients to better understand our progress in winning large contracts on a period-over-period basis. We define the number of large active clients as the number of active clients from whom we generated more than \$1.0 million of revenue in the prior 12-month period. For comparability purposes, we include the clients of the acquired businesses that meet these criteria to properly evaluate total client spending evolution.

### ***Revenue Concentration with Top 10 clients***

We monitor our revenue concentration with top 10 clients to understand our dependence on large clients on a period-over-period basis and to monitor our success in diversifying our revenue base. We define revenue concentration as the percent of our total revenue derived from our ten largest active clients.

### ***Components of Results of Operations***

Our business is organized into a single reportable segment. The Company's chief operating decision maker is the CEO, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

### ***Net Revenues***

Revenue is derived from the several types of integrated solutions we provide to our clients. Revenue is organized by contract type and geographic location. The type of revenue we generate from customers is classified based on: (i) time and materials, and (ii) fixed price contracts. Time and materials are transaction-based, or volume-based contracts based on input method such as labor hours incurred. Fixed price contracts are contracts where price is contractually predetermined. Revenue by geographic location is derived from revenue generated in the United States and Latin America, which includes Mexico, Argentina, Brazil, and Costa Rica.

### ***Cost of Revenue***

Cost of revenue consists primarily of employee-related costs associated with our personnel and fees from third-party vendors engaged in the delivery of our services, including: salaries, bonuses, benefits, project related travel costs, software licenses and any other costs that relate directly to the delivery of our services.

### ***Gross Profit***

Gross profit represents net revenues less cost of revenue.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses consists primarily of employee-related costs associated with our sales, marketing, legal, accounting and administrative personnel. Selling, general and administrative expenses also includes legal costs, external professional fees, brand marketing, provision for doubtful accounts, as well as expenses associated with our back-office facilities and office infrastructure, information technology, and other administrative expenses.

***Depreciation and Amortization***

Depreciation and amortization consist of depreciation and amortization expenses related to customer relationships, computer equipment, leasehold improvements, furniture and equipment, and other assets.

***Change in Fair Value of Embedded Derivative Liabilities***

Changes in fair value of embedded derivative liabilities consists of changes in the fair value of redemption and conversion features embedded within our preferred stock.

***Change in Fair Value of Warrant Liability***

Changes in fair value of warrant liability consist of changes to the outstanding public and private placement warrants assumed upon the consummation of the Business Combination.

***Loss on Debt Extinguishment***

Loss on debt extinguishment represents the difference between the net carrying value of the old debt instrument and the fair value of the new debt instrument.

***Equity-based Compensation Expense***

Equity-based compensation expense consists of compensation expenses recognized in connection with performance incentive awards granted to our employees and board members.

***Restructuring Expenses***

Restructuring expenses consists of costs associated with business realignment efforts and strategic transformation costs resulting from value creation initiatives following business acquisitions, which primarily relate to severance costs from back-office headcount reductions.

***Other Operating Expenses, Net***

Other operating expenses, net consists primarily of acquisition related costs and transaction costs related, including legal, accounting, valuation and investor relations advisors, and compensation consultant fees, as well as other operating expenses.

***Interest Expense***

Interest expense consists of interest incurred in connection with our debt obligations, and amortization of debt issuance costs.

***Other Income (Expense)***

Other income (expense) consists of interest (expense) income on invested funds, impacts from foreign exchange transactions, gain on loan forgiveness and other non-operating expenses.

***Income Tax Expense (Benefit)***

Income tax expense (benefit) represents expenses or benefits associated with our operations based on the tax laws of the jurisdictions in which we operate. Our calculation of income tax expense (benefit) is based on tax rates and tax laws at the end of each applicable reporting period.

## Results of Operations

The following table sets forth our unaudited condensed consolidated statements of operations for the presented periods:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net revenues	\$ 44,224	\$ 37,213
Cost of revenue	30,400	26,231
Gross profit	13,824	10,982
Operating expenses:		
Selling, general and administrative expenses	12,619	8,768
Depreciation and amortization	1,754	1,774
Change in fair value of embedded derivative liabilities	—	(1,410)
Change in fair value of warrant liability	478	—
Loss on debt extinguishment	7,136	—
Equity-based compensation expense	518	12
Restructuring expenses	753	10
Other operating expenses, net	621	635
Total operating expenses	23,879	9,789
(Loss) income from operations	(10,055)	1,193
Interest expense	(3,313)	(4,328)
Other income (expense)	7,321	(1,308)
Loss before income tax	(6,047)	(4,443)
Income tax expense (benefit)	251	(608)
Net loss	(6,298)	(3,835)
Net loss attributable to noncontrolling interests	49	30
Net loss attributable to the Company	\$ (6,347)	\$ (3,865)

The following table sets forth our unaudited condensed consolidated statements of operations information expressed as a percentage of net revenues for the periods presented:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net revenues	100.0 %	100.0 %
Cost of revenue	68.7 %	70.5 %
Gross profit	31.3 %	29.5 %
Operating expenses:		
Selling, general and administrative expenses	28.5 %	23.6 %
Depreciation and amortization	4.0 %	4.8 %
Change in fair value of embedded derivative liabilities	— %	(3.8)%
Change in fair value of warrant liability	1.1 %	— %
Loss on debt extinguishment	16.1 %	— %
Equity-based compensation expense	1.2 %	— %
Restructuring expenses	1.7 %	— %
Other operating expenses, net	1.4 %	1.7 %
Total operating expenses	54.0 %	26.3 %
(Loss) income from operations	(22.7)%	3.2 %
Interest expense	(7.5)%	(11.6)%
Other income (expense)	16.6 %	(3.5)%

Loss before income tax	(13.7)%	(11.9)%
Income tax expense (benefit)	0.6 %	(1.6)%
Net loss	(14.2)%	(10.3)%
Net loss attributable to noncontrolling interests	0.1 %	0.1 %
Net loss attributable to the Company	(14.4)%	(10.4)%

### Selected Quarterly Results of Operations

The following tables set forth our unaudited consolidated quarterly results of operations for each of the 8 quarters within the period from April 1, 2021 to March 31, 2022. Our quarterly results of operations have been prepared on the same basis as our consolidated financial statements, and we believe they reflect all normal recurring adjustments necessary for the fair presentation of our results of operations for these periods. This information should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. These quarterly results of operations are not necessarily indicative of our results of operations for a full year or any future period.

(in thousands USD)	Three Months Ended							
	2022		2021				2020	
	Mar 31	Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30	June 30
Net revenues	\$ 44,224	\$ 42,095	\$ 40,420	\$ 38,940	\$ 37,213	\$ 34,474	\$ 40,114	\$ 42,742
Cost of revenue	30,400	29,594	29,666	26,812	26,231	25,615	26,018	28,059
Gross profit	13,824	12,501	10,754	12,128	10,982	8,859	14,096	14,683
Operating expenses:								
Selling, general and administrative expenses	12,619	13,406	11,188	10,189	8,768	8,552	8,978	6,412
Depreciation and amortization	1,754	1,745	1,746	1,719	1,774	1,705	1,709	1,700
Change in fair value of contingent consideration obligations	—	—	—	(2,200)	—	(554)	(555)	(5,491)
Change in fair value of embedded derivative liabilities	—	—	(1,884)	(1,112)	(1,410)	—	—	—
Change in fair value of warrant liabilities	478	(3,935)	(759)	—	—	—	—	—
Loss on debt extinguishment	7,136	—	—	—	—	—	—	—
Equity-based compensation expense	518	—	6,469	—	12	31	55	56
Impairment charges	—	—	—	—	—	—	7,565	9,134
Restructuring expenses (income)	753	1,024	(135)	12	10	2,965	1,084	1,097
Other operating expenses (income), net	621	774	(96)	472	635	3,293	3,205	212
Total operating expense	23,879	13,014	16,529	9,080	9,789	15,992	22,041	13,120
(Loss) income from operations	(10,055)	(513)	(5,775)	3,048	1,193	(7,133)	(7,945)	1,563
Interest expense	(3,313)	(4,340)	(4,065)	(3,724)	(4,328)	(4,490)	(4,400)	(3,984)
Other income (expense)	7,321	(648)	(851)	1,723	(1,308)	4,855	3,002	2,748
(Loss) Income before income taxes	(6,047)	(5,501)	(10,691)	1,047	(4,443)	(6,768)	(9,343)	327
Income tax expense (benefit)	\$ 251	\$ 473	\$ 96	\$ 499	\$ (608)	\$ (119)	\$ 1,012	\$ 1,343
Net (loss) income	\$ (6,298)	\$ (5,974)	\$ (10,787)	\$ 548	\$ (3,835)	\$ (6,649)	\$ (10,355)	\$ (1,016)

The following table presents a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to the most directly comparable financial measure prepared in accordance with GAAP.

(in thousands USD)	Three Months Ended							
	2022		2021			2020		
	Mar 31	Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30	June 30
Net (loss) income	\$ (6,298)	\$ (5,974)	\$ (10,787)	\$ 548	\$ (3,835)	\$ (6,649)	\$ (10,355)	\$ (1,016)
Income tax expense (benefit)	251	473	96	499	(608)	(119)	1,012	1,343
Interest expense, net	3,308	4,336	4,045	3,701	4,305	4,463	4,365	3,959
Depreciation and amortization	1,754	1,745	1,746	1,719	1,774	1,705	1,709	1,700
EBITDA	(985)	580	(4,900)	6,467	1,636	(600)	(3,269)	5,986
Change in fair value of contingent consideration obligations	—	—	—	(2,200)	—	(554)	(555)	(5,491)
Change in fair value of embedded derivative liabilities	—	—	(1,884)	(1,112)	(1,410)	—	—	—
Change in fair value of warrant liabilities	478	(3,935)	(759)	—	—	—	—	—
Equity-based compensation expense	518	—	6,469	—	12	31	55	56
Impairment charges	—	—	—	—	—	—	7,565	9,134
Restructuring expenses (income)	753	1,024	(135)	12	10	2,965	1,084	1,097
Foreign exchange (gain) loss	(252)	406	790	(596)	1,336	(4,886)	(3,109)	(1,698)
Loss (gain) on business dispositions	—	—	—	—	—	271	(129)	(1,252)
Gain on debt extinguishment	(144)	—	—	(1,243)	(63)	(142)	—	—
Transaction Costs	9	716	(177)	467	328	3,557	2,579	210
Other expenses, net	676	1,492	(1)	(1)	78	80	(16)	(20)
Adjusted EBITDA	\$ 1,053	\$ 283	\$ (597)	\$ 1,794	\$ 1,927	\$ 722	\$ 4,205	\$ 8,022

### Comparison of the three months ended March 31, 2022 and 2021

#### Net revenues

	Three Months Ended March 31,		% Change 2022 vs. 2021
	2022	2021	
	(in thousands, except percentages)		
Net Revenues	\$ 44,224	\$ 37,213	18.8 %

Net revenues for the three months ended March 31, 2022 increased \$7.0 million, or 18.8%, to \$44.2 million from \$37.2 million for the three months ended March 31, 2021. The increase was mainly due to increases in services and expanded scope in projects with existing clients, and the commencement of new projects with new clients during the first quarter of 2022.

#### Net Revenues by Geographic Location

	Three Months Ended March 31,		% Change 2022 vs. 2021
	2022	2021	
	(in thousands, except percentages)		
United States	\$ 28,998	\$ 24,520	18.3 %
Latin America	15,226	12,693	20.0 %
Total	\$ 44,224	\$ 37,213	18.8 %

Net revenues from our United States operations for the three months ended March 31, 2022 increased \$4.5 million, or 18.3%, to \$29.0 million from \$24.5 million for the three months ended March 31, 2021. The change was mainly driven by a \$7.6 million increase in new projects and expanded scope of work. This was offset by \$3.1 million of decreased scope with two of our existing clients.

Net revenues from our Latin America operations for the three months ended March 31, 2022 increased \$2.5 million, or 20.0%, to \$15.2 million from \$12.7 million for the three months ended March 31, 2021. The change was driven by an increase of \$3.2 million related to increased volume in retail and financial services clients, offset by a \$0.7 million decrease in revenues from other customers as a result of project scope reductions.

### Revenues by Contract Type

The following table sets forth net revenues by contract type and as a percentage of our revenues for the periods indicated:

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
(in thousands, except percentages)			
Time and materials	\$ 33,251	\$ 30,541	8.9 %
Fixed price	10,973	6,672	64.5 %
Total	\$ 44,224	\$ 37,213	18.8 %

Net revenues from our time and materials contracts for the three months ended March 31, 2022 increased approximately \$2.7 million, or 8.9%, to \$33.3 million from \$30.5 million for the three months ended March 31, 2021. The main driver of the net variation is related to the increase in service volume with existing and new customers under the time and materials revenue model. Net revenues from our fixed price contracts for the three months ended March 31, 2022 increased \$4.3 million, or 64.5%, to \$11.0 million from \$6.7 million for the three months ended March 31, 2021. The main driver of the net increase is related to the shift to fixed price Agile pods with one of our clients from the financial services industry, combined with additional revenues coming from fixed price engagements with other major existing customers.

### Cost of revenue

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
(in thousands, except percentages)			
Cost of revenue	\$ 30,400	\$ 26,231	15.9 %
% of net revenues	68.7 %	70.5 %	

Cost of revenue for the three months ended March 31, 2022 increased \$4.2 million, or 15.9%, to \$30.4 million from \$26.2 million for the three months ended March 31, 2021. The increase was primarily driven by the increase in scope of work from existing client and new scope of work from new our clients as evidenced by our revenue growth from March 31, 2021 to March 31, 2022.

### Selling, general and administrative expenses

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
(in thousands, except percentages)			
Selling, general and administrative expenses	\$ 12,619	\$ 8,768	43.9 %
% of net revenues	28.5 %	23.6 %	

Selling, general and administrative expenses for the three months ended March 31, 2022 increased \$3.9 million, or 43.9%, to \$12.6 million from \$8.8 million for the three months ended March 31, 2021. The increase was primarily due to an increase of \$1.6 million related to increased headcount and the effect of a new variable compensation plan for the sales and delivery teams, \$0.9 million in professional fees, an increase of \$0.7 million of software and equipment rent, and an increase of \$0.7 million in insurance expense.

### Depreciation and amortization

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
(in thousands, except percentages)			
Depreciation and amortization	\$ 1,754	\$ 1,774	(1.1)%
% of net revenues	4.0 %	4.8 %	

Depreciation and amortization for three months ended March 31, 2022 and 2021, was \$1.8 million, respectively.

**Change in fair value of embedded derivative liabilities**

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Change in fair value of embedded derivative liabilities	\$ —	\$ (1,410)	(100.0)%
% of net revenues	— %	(3.8)%	

Change in fair value of embedded derivative liabilities for the three months ended March 31, 2021 resulted in a gain of \$1.4 million. The gain was primarily driven by a decrease in discount rate used estimate the fair value to value our embedded derivative liabilities from February 2, 2021 (inception date) to March 31, 2021. There was no change in fair value of embedded derivative liabilities for three months ended March 31, 2022 as the embedded derivative liability was settled during the third quarter of 2021 as a result of the Business Combination.

**Change in fair value of warrant liability**

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Change in fair value of warrant liability	\$ 478	\$ —	100.0 %
% of net revenues	1.1 %	— %	

Change in fair value of warrant liability for the three months ended March 31, 2022 resulted in a loss of \$0.5 million. The loss was primarily driven by an increase in the market price of our public warrants, changes in the risk-free rate of return and volatility used to estimate the fair value of our warrant liability from December 31, 2021 to March 31, 2022. There was no warrant liability during the first quarter of 2021.

**Loss on debt extinguishment**

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Loss on debt extinguishment	\$ 7,136	\$ —	100.0 %
% of net revenues	16.1 %	— %	

Loss on debt extinguishment for the three months ended March 31, 2022 of \$7.1 million was due to an amendment signed on March 30, 2022 for the First Lien Facility, refer to [Note 8, Long-Term Debt](#), for further information.

**Equity-based compensation expense**

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Equity-based compensation expense	\$ 518	\$ 12	>1000.0 %
% of net revenues	1.2 %	— %	

Equity-based compensation expense for the three months ended March 31, 2022 increased \$0.5 million, or over 1000.0%, to \$0.5 million from less than \$0.1 million for the three months ended March 31, 2021. In connection with the January S-8 Filing, the Company granted RSU's under the 2021 Equity Incentive Plan, which resulted in \$0.5 million equity-based compensation expense that was recognized during the three months ended March 31, 2022. The expensed recognized during the three months ended March 31, 2021 related to the 2020 Equity Plan.

### Restructuring expenses

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Restructuring expenses	\$ 753	\$ 10	>1000.0 %
% of net revenues	1.7 %	— %	

Restructuring expenses for the three months ended March 31, 2022 increased \$0.7 million, or over 1,000.0%, to \$0.8 million from less than \$0.1 million for the three months ended March 31, 2021. The increase was primarily due to additional organization restructuring activities implemented during the first quarter of 2022.

### Other operating expenses, net

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Other operating expense, net	\$ 621	\$ 635	(2.2)%
% of net revenues	1.4 %	1.7 %	

Other operating expense, net for three months ended March 31, 2022 and 2021, was \$0.6 million, respectively.

### Interest expense

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Interest expense	\$ (3,313)	\$ (4,328)	(23.5)%
% of net revenues	(7.5)%	(11.6)%	

Interest expense for the three months ended March 31, 2022 decreased \$1.0 million, or 23.5%, to \$3.3 million from \$4.3 million for the three months ended March 31, 2021. The decrease was primarily due to the significant reduction in the principal debt obligation since March 31, 2021.

### Other income (expense)

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Other income (expense)	\$ 7,321	\$ (1,308)	(659.7)%
% of net revenues	16.6 %	(3.5)%	

Other income (expense) for the three months ended March 31, 2022 increased \$8.6 million, or (659.7)%, to \$7.3 million from \$(1.3) million for the three months ended March 31, 2021. The change was driven by a \$1.1 million decrease in net foreign currency exchange losses and a \$7.3 million gain related to the loan forgiveness granted in January 2022 on a PPP Loan.

### Income tax expense (benefit)

	Three Months Ended March 31,		% Change
	2022	2021	2022 vs. 2021
	(in thousands, except percentages)		
Income tax expense (benefit)	\$ 251	\$ (608)	(141.3)%
Effective income tax rate	(4.2)%	13.7 %	

Income tax expense (benefit) for the three months ended March 31, 2022 decreased \$0.9 million, or (141.3)%, to \$0.3 million from \$(0.6) million for the three months ended March 31, 2021 due to discrete tax items recorded in the first quarter of 2021 and differences in losses incurred in jurisdictions for which no tax benefit is recognized. For additional information, see [Note 10, Income Taxes](#), to our unaudited condensed consolidated financial statements appearing in this Quarterly Report on Form 10-Q.

### Non-GAAP Measures

To supplement our consolidated financial data presented on a basis consistent with U.S. GAAP, we present certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA. We have included the non-GAAP financial measures because they are financial measures used by our management to evaluate our core operating performance and trends, to make strategic decisions regarding the allocation of capital and new investments and are among the factors analyzed in making performance-based compensation decisions for key personnel. The measures exclude certain expenses that are required under U.S. GAAP. We exclude certain non-cash expenses and certain items that are not part of our core operations.

We believe these supplemental performance measurements are useful in evaluating operating performance, as they are similar to measures reported by our public industry peers and those regularly used by security analysts, investors and other interested parties in analyzing operating performance and prospects. The non-GAAP financial measures are not intended to be a substitute for any GAAP financial measures and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry.

There are significant limitations associated with the use of non-GAAP financial measures. Further, these measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare our performance to that of other companies. We compensate for these limitations by providing investors and other users of our financial information a reconciliation of our non-GAAP measures to the related GAAP financial measure. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view our non-GAAP measures in conjunction with GAAP financial measures.

We define and calculate our non-GAAP financial measures as follows:

- **EBITDA:** Net loss plus income tax expense (benefit), plus interest expense, net, and plus depreciation and amortization.
- **Adjusted EBITDA:** EBITDA further adjusted to exclude the change in fair value of contingent consideration obligations, plus the change in fair value of embedded derivative liability, plus the change in fair value of warrant liability, plus equity-based compensation expense, plus impairment charges, plus restructuring expenses, plus foreign exchange loss (gain), plus (gain) loss on business dispositions, plus gain on debt extinguishment or debt forgiveness, plus certain transaction costs, plus certain other expense, net.

The following table presents the reconciliation of our EBITDA and Adjusted EBITDA to our net loss, the most directly comparable GAAP measure, for the periods indicated:

<i>(in thousands USD)</i>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net loss	\$ (6,298)	\$ (3,835)
Income tax expense (benefit)	251	(608)
Interest expense, net	3,308	4,305
Depreciation and amortization	1,754	1,774
EBITDA	(985)	1,636
Change in fair value of embedded derivative liability	—	(1,410)
Change in fair value of warrant liability	478	—
Equity-based compensation expense	518	12
Restructuring expenses <sup>1</sup>	753	10
Foreign exchange (gain) loss <sup>2</sup>	(252)	1,336
Gain on debt extinguishment <sup>3</sup>	(144)	(63)
Transaction costs	9	328
Other expense, net <sup>4</sup>	676	78
Adjusted EBITDA	<u>\$ 1,053</u>	<u>\$ 1,927</u>

1 - Represents restructuring expenses associated with the ongoing reorganization of our business operations and realignment efforts. Refer to [Note 13, Restructuring](#), within our consolidated financial statements in this Quarterly Report on Form 10-Q.

2 - Represents foreign exchange loss (gain) due to foreign currency transactions.

3 - Represents a \$7.3 million gain on forgiveness of PPP loans offset by a loss on debt extinguishment of \$7.1 million related to the First Lien Facility during the three months ended March 31, 2022. Refer to [Note 9, Other Income \(Expense\)](#), and [Note 8, Long-Term Debt](#), respectively, within our unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

4 - Represents professional service fees primarily comprised of legal fees in connection with debt modifications as well as a non recurring recruiting fee.

## Liquidity and Capital Resources

Our main sources of liquidity have been our cash and cash equivalents, cash generated from operations, and proceeds from issuances of stock and debt. Our main uses of cash are funds to operate our business, make principal and interest payments on our outstanding debt, capital expenditures, and business acquisitions.

Our future capital requirements will depend on many factors, including our growth rate. Over the past several years, operating expenses have increased as we have invested in growing our business. Payments of principal and interest on our debt and earnout cash payments following our acquisitions have also been cash outflows. Our operating cash requirements may increase in the future as we continue to invest in the growth of our Company.

As of March 31, 2022, we had \$2.5 million of available cash and cash equivalents, a decrease of \$5.9 million from December 31, 2021. We believe that we will have sufficient financial resources to fund our operations for the next 12 months. We are continuously looking to implement strategies to improve our profitability and reduce expenses, along with evaluating alternatives such as refinancing our debt.

## Debt

### First Lien Facility

In 2018, we entered into a revolving credit agreement (the "Revolving Credit Agreement") with Monroe Capital Management Advisors LLC for a revolving credit facility that permits us to borrow up to \$1.5 million through November 10, 2023. In 2019, we amended the Revolving Credit Agreement to increase the borrowing limit to \$5.0 million. Interest is paid monthly and calculated as LIBOR plus a margin of 8.0% to 9.0%, based on the Total Leverage Ratio (as defined in the Revolving Credit Agreement) as calculated in the most recent compliance certificate. An additional 2.0% interest may be incurred during periods of loan covenant default. As of March 31, 2022, the interest rate was 10.0%. We are required to pay an annual commitment fee of 0.5% on the unused portion of the commitment. As of March 31, 2022 and December 31, 2021, we had no availability under the revolving credit facility.

In 2018, we entered into the term loan credit agreement with Monroe Capital Management Advisors LLC pursuant to which we were permitted to borrow up to \$75.0 million through November 10, 2023. On July 18, 2019, we entered into an

amended and restated credit agreement for the First Lien Facility to increase the borrowing amount to \$98.0 million. Interest is paid monthly and calculated as LIBOR plus a margin of 8.0% to 9.0%, based on the total leverage ratio (as defined in the First Lien Facility) as calculated in the most recent compliance certificate (as defined in the First Lien Facility) delivered quarterly. An additional 2.0% interest may be incurred during periods of loan covenant default. Principal payments of \$0.6 million are due quarterly until maturity, at which time the remaining outstanding balance is due. The amended and restated credit agreement for the First Lien Facility was further amended on February 2, 2021, pursuant to which we agreed to pay in lieu of the first two regular quarterly principal installments in 2021 (February 2021 through and including July 2021), six monthly principal payments of \$1.0 million from February 2021 through and including July 2021. Further, the Total Leverage Ratio covenant was modified for the periods ending from December 31, 2020 to March 31, 2022.

On March 22, 2021, the Company used \$20.0 million from proceeds of issuance of preferred stock to partially pay the Monroe term loan. Refer to [Note 15, Stockholders' Equity](#), for additional information on issuance of preferred stock.

The amended and restated credit agreement for the First Lien Facility was further amended on April 30, 2021, pursuant to which we were permitted to defer, at our election, the \$1.0 million monthly installment payments for April and May 2021, and in the event of such election, we would incur a fee of \$0.5 million for each such deferred payment that would be payable to the lender upon the maturity date. We elected to defer the April and May 2021 payments and incurred a total of \$1.0 million fee payable to the lender. Additionally, the Total Leverage Ratio and Fixed Charges Coverage Ratio (as defined in the First Lien Facility) covenants were modified for the period ended December 31, 2020 and thereafter.

On June 24, 2021, the amended and restated credit agreement for the First Lien Facility was amended to permit the incurrence of indebtedness (the "June Subordinated Debt") of up to \$8.0 million aggregate principal amount (the "Fifth Amendment to First Lien Facility"). Pursuant to the terms of the amendment and a related subordination agreement, the Subordinated Promissory Note will be subordinated in right of payment to the First Lien Facility. In addition, the amendment modifies our Total Leverage Ratio covenant and Fixed Charges Coverage Ratio covenant to accommodate the incurrence of the Subordinated Promissory Note. In consideration therefor and for the option to defer the \$1.0 million monthly installment payment for April, May, June and July until September, we agreed to pay a fee of \$4.0 million that is payable to the lender on the maturity date, which includes the \$1.0 million fee payable to the lender pursuant to the April 30, 2021 amendment. Additionally, the \$0.5 million fee per deferral that was previously established as part of the April 30, 2021 amendment was removed.

The amended and restated credit agreement for the First Lien Facility was further amended on July 26, 2021 to permit the incurrence of the Exitus Credit Facility.

On September 30, 2021, the Company entered into an amendment to extend the due date of the \$4.0 million in principal payments previously due for April, May, June and July, from September 30, 2021 to October 15, 2021. On October 14, 2021, the Company entered into an amendment to extend the due date from October 15, 2021 to October 29, 2021. On October 29, 2021, the Company entered into an amendment to further extend the due date from October 29, 2021 to November 19, 2021.

On November 15, 2021, the Company entered into an amendment to reset the First Lien Facility's Total Leverage Ratio for the quarterly periods of September 30, 2021 to June 30, 2022 and Fixed Charge Coverage Ratio covenants for the quarterly periods of September 30, 2021 to December 31, 2022. For purposes of calculating compliance with the Company's maximum Total Leverage Ratio for the quarters ended December 31, 2021, March 31, 2022 and June 30, 2022 (but not for any quarter thereafter), the amount of the Company's debt will be deemed to be reduced by the market value of the First Lien Shares at the applicable quarter-end. The Company may issue additional First Lien Shares from time to time to reduce the amount of debt for purposes of the maximum Total Leverage Ratio to the extent necessary to comply with such financial ratio; however, such issuance may not be possible due to regulatory restrictions.

On November 29, 2021, the Company made a \$20.0 million principal prepayment, which included the \$4.0 million principal payment that was originally due September 30, 2021. The Company made this payment with proceeds from the New Second Lien Facility. Furthermore, on December 29, 2021, the Company issued 4,439,333 shares of Class A Common Stock to the administrative agent for the First Lien Facility (the "First Lien Shares"), which subject to certain terms and regulatory restrictions, may sell the First Lien Shares upon the earlier of August 29, 2022 and an event of default and apply the proceeds to the outstanding balance of the loan. Subject to regulatory restrictions, the Company may issue additional First Lien Shares from time to time to reduce the amount of debt for purposes of the Total Leverage Ratio to the extent necessary to comply with such financial ratio. In addition, the Company agreed to issue warrants to the administrative agent to purchase \$7 million worth of the Company's Class A Common Stock for nominal consideration. The warrants will be issued on the date that all amounts under the First Lien Facility have been paid in full. In addition, the Company may be required to pay Monroe cash to the extent

that we cannot issue some or all of the warrants due to regulatory restrictions. The First Lien lenders charged an additional \$2.9 million fee paid upon the end of the term loan in exchange for the amended terms.

On November 22, 2021, the Company entered into an amendment that requires sixty percent (60%) of proceeds from future equity issuances be used to repay the outstanding balance on the First Lien Facility. On December 27, 2021, the Company closed a follow on stock offering resulting in \$21.8 million of net proceeds, of which \$13.7 million was used as payment of the outstanding principal and interest balances for the First Lien Facility.

On March 30, 2022, the Company entered into an amendment with the First Lien and Second Lien Facility Lenders to waive the Fixed Charge Coverage Ratio for March 31, 2022. In addition, the Total Leverage Ratio covenant for the quarterly period of March 31, 2022 was reset. As consideration for entering into this amendment, the Company agrees to pay the First Lien Facility's administrative agent a fee equal to \$500,000. The fee shall be fully earned as of March 30, 2022 and shall be due and payable upon the end of the term loan. However, the fee shall be waived in its entirety if final payment in full occurs prior to or on May 30, 2022. This modification triggered by this new amendment was determined to be substantially different to the old instrument, therefore the modification was accounted for as an extinguishment and adjusted to the fair value as of the March 31, 2022. The Company recognized a loss on debt extinguishment of \$7.1 million in the Unaudited Condensed Consolidated Statement of Operations. At March 31, 2022, total fees payable at the end of the term loan, including fees recognized from prior amendments, totaled \$7.4 million.

#### *Second Lien Facility*

On July 18, 2019, we entered into the Second Lien Facility which permitted us to borrow \$25.0 million at 13.73% interest. On January 30, 2020, the Second Lien Facility was amended to increase the borrowing amount by \$4.1 million. Interest is capitalized every six months and is payable at termination or conversion. The Second Lien Lenders had the option at their election to convert the loan into common shares of Legacy AgileThought (a) before January 31, 2022 if we filed for an initial public offering or entered into a merger agreement or (b) on or after January 31, 2022.

Concurrently with the execution of the merger agreement, we entered into the conversion agreement with the Second Lien Lenders, pursuant to which all of the outstanding total obligations due to each Second Lien Lender under that the Second Lien Facility were converted into shares of common stock of Legacy AgileThought immediately prior to the Business Combination. Subsequently, at the effective time of the Business Combination, such shares of common stock of Legacy AgileThought were automatically converted into the applicable portion of the common merger consideration and each Second Lien Lender was entitled to receive their proportionate interest of the common merger consideration as a holder of Legacy AgileThought common stock. At close of the Business Combination, the Second Lien Lenders received 115,923 shares of Legacy AgileThought common stock immediately prior to the Business Combination.

#### *New Second Lien Facility*

On November 22, 2021, the Company entered into a new Second Lien Facility (the "New Second Lien Facility") with Nexxus Capital and Credit Suisse (both of which are existing AgileThought shareholders and have representation on AgileThought's Board of Directors), Manuel Senderos, Chief Executive Officer and Chairman of the Board of Directors, and Kevin Johnston, Global Chief Operating Officer. The New Second Lien Facility provides for a term loan facility in an initial aggregate principal amount of approximately \$20.7 million, accruing interest at a rate per annum from 11% and 17%. The New Second Lien Facility has an original maturity date of March 15, 2023. If the Credit Facility remains outstanding on December 15, 2022, the maturity date of the New Second Lien Facility will be extended to May 10, 2024.

Each lender under the New Second Lien Facility has the option to convert all or any portion of its outstanding loans into AgileThought Class A Common Stock on or after December 15, 2022 or earlier, upon our request. Unless we receive shareholder approval pursuant to applicable Nasdaq rules, the amounts under the New Second Lien Facility will only convert into up to 2,098,545 shares of Class A Common Stock and will only convert at a price per share equal to the greater of \$10.19 or the then-current market value. On December 27, 2022, Manuel Senderos and Kevin Johnston exercised the conversion options for their respective loan amounts of \$4.5 million and \$0.2 million respectively.

#### *Paycheck Protection Program Loans*

On April 30, 2020, and May 1, 2020, the Company received, through four of its subsidiaries, Paycheck Protection Program loans, or the PPP loans, for a total amount of \$9.3 million. The PPP loans bear a fixed interest rate of 1.0% over a two-year term, are guaranteed by the United States federal government, and do not require collateral from the Company. The loans may be forgiven, in part or in full, if the proceeds were used to retain and pay employees and for other qualifying expenditures. The

Company submitted its forgiveness applications to the Small Business Administration between November 2020 and January 2021. On December 25, 2020, \$0.1 million of a \$0.2 million PPP loan was forgiven. On March 9, 2021, \$0.1 million of a \$0.3 million PPP loan was forgiven. On June 13, 2021, \$1.2 million of a \$1.2 million PPP loan was forgiven. On January 19, 2022, \$7.3 million of a \$7.6 million PPP loan was forgiven resulting in a remaining PPP Loan balance of \$0.3 million of which \$0.1 million is due within the next year. The remaining payments will be made monthly until May 2, 2025.

#### *Subordinated Promissory Note*

On June 24, 2021, the Company entered into a credit agreement with AGS Group LLC (“AGS Group”) for a principal amount of \$0.7 million. The principal amount outstanding under this agreement matured on December 20, 2021 (“Original Maturity Date”) but was extended until May 19, 2022 (“Extended Maturity Date.”) Interest is due and payable in arrears on the Original Maturity Date at a 14.0% per annum until and including December 20, 2021 and at 20% per annum from the Original Maturity Date to the Extended Maturity Date calculated on the actual number of days elapsed.

#### *Exitus Credit Facility*

On July 26, 2021, the Company agreed with existing lenders and Exitus Capital (“Subordinated Creditor”) to enter into a zero-coupon subordinated loan agreement with Exitus Capital in an aggregate principal amount equal to \$3.7 million (“Subordinated Debt”). No periodic interest payments are made and the loan is due on January 26, 2022, with an option to extend up to two additional six month terms. Net loan proceeds totaled \$3.2 million, net of \$0.5 million in debt discount. Payment of any and all of the Subordinated Debt shall be subordinate of all existing senior debt. In the event of any liquidation, dissolution, or bankruptcy proceedings, all senior debt shall first be paid in full before any distribution shall be made to the Subordinated Creditor. The loan is subject to a 36% annual interest moratorium if full payment is not made upon the maturity date. On January 25, 2022, the Company exercised the option to extend the loan an additional six months to July 26, 2022. The Company recognized an additional \$0.5 million debt issuance costs related to the loan extension. The Company has the right to further extend maturity of this facility for an additional six month period. The loan is secured by a pledge by Diego Zavala of certain of his real property located in Mexico City and is subordinated in right of payment to the First Lien Facility.

#### *Cash Flows*

The following table summarizes our consolidated cash flows for the periods presented:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in thousands)</b>	
Net cash used in operating activities	\$ (5,111)	\$ (4,400)
Net cash used in investing activities	(83)	(229)
Net cash used in financing activities	(669)	(2,004)

#### *Operating Activities*

Net cash used in operating activities for the three months ended March 31, 2022 increased by approximately \$0.7 million to \$5.1 million from \$4.4 million for the three months ended March 31, 2021. The increase was mainly driven by an decrease of \$2.5 million in net loss and a decrease of \$0.4 million in non-cash items offset by an increase of \$2.2 million resulting from changes in our operating assets and liabilities.

The increase of \$2.2 million resulting from changes in our operating assets and liabilities was primarily driven by (i) an increase of \$5.0 million in accrued liabilities, (ii) an increase of \$1.3 million in prepaid expenses and guarantee deposits, (iii) an increase of \$1.5 million in current VAT receivables and other taxes payables offset by (i) a decrease of approximately \$5.2 million in accounts payable, (ii) an increase of \$0.3 million in accounts receivables, and (iv) a \$0.1 million change in lease liability.

The decrease of \$0.4 million in non-cash items was driven by (i) the gain on the forgiveness of the PPP loan of \$7.3 million (ii) the decrease in accretion from convertible notes of \$1.0 million (iii) a decrease of \$2.0 million in the gain or loss on foreign currencies offset by (i) a \$7.1 million loss on debt extinguishment, (ii) an increase of \$0.5 million of share-based compensation, (iii) an increase of \$0.5 million from the change in fair value of privately held warrants (iv) an increase of \$0.2 million of debt issuance costs (v) an increase of \$1.4 million due to no embedded derivative liability in 2022, (v) a \$0.1 million increase in obligations for contingent purchase price offset, and (vi) an increase of \$0.1 million in right of use asset amortization.

### Investing Activities

Net cash used in investing activities for the three months ended March 31, 2022 decreased \$0.1 to \$0.1 million from \$0.2 million for the three months ended March 31, 2021 as a result of a decrease in capital expenditures.

### Financing Activities

Net cash used in financing activities for the three months ended March 31, 2022 decreased \$1.3 million to \$0.7 million from \$2.0 million for the three months ended March 31, 2021. The decrease in net cash used was primarily driven by a decrease of \$20 million in share capital received from the issuance of preferred stock during the three months ended March 31, 2021, which was subsequently converted into Class A common stock, offset by a decrease of \$21.3 million in repayment of borrowings mainly on the First Lien Facility.

### Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of March 31, 2022:

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in thousands)				
Debt obligations	\$ 65,451	\$ 11,282	\$ 54,169	\$ —	\$ —
Operating lease obligations	6,420	2,227	3,904	289	—
Total	\$ 71,871	\$ 13,509	\$ 58,073	\$ 289	\$ —

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts. The table does not include obligations under agreements that we can cancel without a significant penalty.

For additional information, see [Note 8, Long-term Debt](#), to our unaudited condensed consolidated financial statements appearing in this Quarterly Report on Form 10-Q.

### Critical Accounting Policies

We believe that the following accounting policies involve a high degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of our operations. See [Note 2, Summary of Significant Accounting Policies](#), to our audited consolidated financial statements included in our Annual Report on Form 10-K, as well as unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q for a description of our other significant accounting policies. The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the amounts reported in those financial statements and accompanying notes. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

#### Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board's ("FASB") Account Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*.

Revenue is recognized when or as control of promised products or services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. In instances where revenue is recognized over time, the Company uses an appropriate input or output measurement method, typically based on the contract or labor volume.

The Company applies judgment in determining the customer's ability and intention to pay based on a variety of factors, including the customer's historical payment experience. If there is uncertainty about the receipt of payment for the services,

revenue recognition is deferred until the uncertainty is sufficiently resolved. Our payment terms are based on customary business practices and can vary by region and customer type, but are generally 30-90 days. Since the term between invoicing and expected payment is less than a year, we do not adjust the transaction price for the effects of a financing component.

The Company may enter into arrangements that consist of any combination of our deliverables. To the extent a contract includes multiple promised deliverables, the Company determines whether promised deliverables are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a single performance obligation. For arrangements with multiple distinct performance obligations, we allocate consideration among the performance obligations based on their relative standalone selling price. The standalone selling price is the price at which we would sell a promised good or service on an individual basis to a customer. When not directly observable, the Company generally estimates standalone selling price by using the expected cost plus a margin approach. The Company reassesses these estimates on a periodic basis or when facts and circumstances change.

Revenues related to software maintenance services are recognized over the period the services are provided using an output method that is consistent with the way in which value is delivered to the customer.

Revenues related to cloud hosting solutions, which include a combination of services including hosting and support services, and do not convey a license to the customer, are recognized over the period as the services are provided. These arrangements represent a single performance obligation.

For software license agreements that require significant customization of third-party software, the software license and related customization services are not distinct as the customization services may be complex in nature or significantly modify or customize the software license. Therefore, revenue is recognized as the services are performed in accordance with an output method which measures progress towards satisfaction of the performance obligation.

Revenues related to our non-hosted third-party software license arrangements that do not require significant modification or customization of the underlying software are recognized when the software is delivered as control is transferred at a point in time.

Revenues related to consulting services (time-and-materials), transaction-based or volume-based contracts are recognized over the period the services are provided using an input method such as labor hours incurred.

The Company may enter into arrangements with third party suppliers to resell products or services, such as software licenses and hosting services. In such cases, the Company evaluates whether the Company is the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). In doing so, the Company first evaluates whether it controls the good or service before it is transferred to the customer. In instances where the Company controls the good or service before it is transferred to the customer, the Company is the principal; otherwise, the Company is the agent. Determining whether we control the good or service before it is transferred to the customer may require judgment.

Some of our service arrangements are subject to customer acceptance clauses. In these instances, the Company must determine whether the customer acceptance clause is substantive. This determination depends on whether the Company can independently confirm the product meets the contractually agreed-upon specifications or if the contract requires customer review and approval. When a customer acceptance is considered substantive, the Company does not recognize revenue until customer acceptance is obtained.

Client contracts sometimes include incentive payments received for discrete benefits delivered to clients or service level agreements and volume rebates that could result in credits or refunds to the client. Such amounts are estimated at contract inception and are adjusted at the end of each reporting period as additional information becomes available only to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur.

#### *Business Combinations*

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Contingent consideration is included within the acquisition cost and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is re-measured to fair value as of each reporting date until the contingency is resolved, and subsequent changes in fair value are recognized in earnings. Acquisition-related costs are expensed as incurred within other operating expenses, net.

### *Equity-Based Compensation*

We recognize and measure compensation expense for all equity-based awards based on the grant date fair value.

For performance share units (“PSUs”), we are required to estimate the probable outcome of the performance conditions in order to determine the equity-based compensation cost to be recorded over the vesting period. Vesting is tied to performance conditions that include the achievement of EBITDA-based metrics and/or the occurrence of a liquidity event.

The grant date fair value is determined based on the fair market value of the Company’s shares on the grant date of such awards. Because there is no public market for the Company’s equity prior to the Business Combination, the Company determines the fair value of shares by using an income approach, specifically a discounted cash flow method, and in consideration of a number of objective and subjective factors, including the Company’s actual operating and financial performance, expectations of future performance, market conditions and liquidation events, among other factors.

Determining the fair value of equity-based awards requires estimates and assumptions, including estimates of the period the awards will be outstanding before they are exercised and future volatility in the price of our common shares. We periodically assess the reasonableness of our assumptions and update our estimates as required. If actual results differ significantly from our estimates, equity-based compensation expense and our results of operations could be materially affected. The Company’s accounting policy is to account for forfeitures of employee awards as they occur.

### *Warrants*

We account for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in ASC 480, *Distinguishing Liabilities from Equity* and ASC 815, *Derivatives and Hedging*.

For warrants that meet all of the criteria for equity classification, the warrants are recorded as a component of additional paid-in capital at the time of issuance. For warrants that do not meet all the criteria for equity classification, the warrants are recorded as liabilities. At the end of each reporting period, changes in fair value during the period are recognized as a component of results of operations. The Company will continue to adjust the warrant liability for changes in the fair value until the earlier of a) the exercise or expiration of the warrants or b) the redemption of the warrants.

Our public warrants meet the criteria for equity classification and accordingly, are reported as a component of stockholders’ equity while our private warrants do not meet the criteria for equity classification and are thus classified as a liability.

### **Recent Accounting Pronouncements**

See [Note 2, Summary of Significant Accounting Policies](#), to our audited consolidated financial statements included in our Annual Report on Form 10-K filed March 31, 2022, as well as our unaudited condensed consolidated financial statements appearing in this Quarterly Report on Form 10-Q, for a description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures and considering the material weakness that still remains related to the proper application of revenue recognition related to our Latin America business, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2022.

*Management's Plan to Remediate the Material Weakness*

We intend to continue to take steps to remediate the remaining material weakness related to the proper application of revenue recognition related to our Latin America business and further improve our accounting processes. We will not be able to remediate this material weakness until these steps have been completed and have been operating effectively for a sufficient period of time.

*Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the three months ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management time and resources and other factors.

### **Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K filed March 31, 2022.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

#### *Use of proceeds*

LIVK raised a total net proceeds of \$72,575,000, comprised of \$70,000,000 of the proceeds from its initial public offering and \$2,575,000 of the proceeds from the sale of the private warrants. On December 18, 2019, LIVK consummated the sale of an additional 1,050,000 units that were subject to the underwriter's over-allotment option at \$10.00 per unit, generating gross proceeds of \$10,500,000. Simultaneously with the closing of the sale of additional units, LIVK consummated the sale of an additional 236,250 private warrants at a price of \$1.00 per private warrant, generating total proceeds of \$236,250. Transaction cost amounted to approximately \$2,250,000. Following the closing of the over-allotment option and sale of additional private warrants, net of transaction cost an aggregate amount of \$81,060,244 was placed in the trust account established in connection with LIVK's initial public offering.

On August 23, 2021, the Company (f/k/a LIVK) consummated the previously announced merger, by and among LIVK and Legacy AT. The Company's shareholders approved the Business Combination and the change of LIVK's jurisdiction of incorporation from the Cayman Islands to the State of Delaware by deregistering as an exempted company in the Cayman Islands and domesticating and continuing as a corporation formed under the laws of the State of Delaware at a special meeting of stockholders held on August 18, 2021 (the "Special Meeting"). In connection with the Special Meeting and the Business Combination, holders of 7,479,065 of LIVK's Class A ordinary shares, or 93% of the shares with redemption rights, exercised their right to redeem their shares for cash at a redemption price of approximately \$10.07 per share, for an aggregate redemption amount of \$75,310,929.45.

In connection with the closing of the transaction, the Company obtained \$5.7 million from the trust account, \$27.6 million from the private sale of Class A Common Stock. The Company paid \$4.3 million to the First Lien Facility lenders and \$14 million transactions costs to a total remaining cash balance of \$15 million available without restriction and available for general corporate purposes. Since the Business Combination, the Company has used the proceeds to fund operating expenses in combination with cash generated from operations. As of March 31, 2022, the Company had no remaining proceeds from the transaction on the balance sheet.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Company, (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 26, 2021).</a>
3.2	<a href="#">Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on August 26, 2021).</a>
31.1*	<a href="#">Rule 13a-14(a)/15(d)-14(a) Certification of Chief Executive Officer</a>
31.2*	<a href="#">Rule 13a-14(a)/15(d)-14(a) Certification of Chief Financial Officer</a>
32.1**	<a href="#">Section 1350 Certification of Chief Executive Officer</a>
32.2**	<a href="#">Section 1350 Certification of Chief Financial Officer</a>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.
+	The schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.
#	Indicates management contract or compensatory plan or arrangement.
*	Filed Herewith
**	Furnished Herewith







**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Manuel Senderos Fernandez, Chief Executive Officer of AgileThought, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report on Form 10-Q for the Company for the quarter ended March 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2022

By: /s/ Manuel Senderos Fernandez

Manuel Senderos Fernandez

*Chief Executive Officer*

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Amit Singh, Chief Financial Officer of AgileThought, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report on Form 10-Q for the Company for the quarter ended March 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2022

By: /s/ Amit Singh  
Amit Singh  
Chief Financial Officer