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ASX ANNOUNCEMENT

30 January 2020

Q3 shows early signs of progress from Straker Translations' focus on Enterprise customers

Key highlights from Q3 FY2020

- Cash inflows of NZ\$6.9 million, up 2% on Q3 FY2019
- Operating net cash outflow of NZ\$(0.3) million reflects the current transition to large global Enterprise customers, which has a longer lead time relative to small/private customer sales
- Near seven-figure translation project signed with a major global Enterprise by Straker Translations' newly established Burbank, Hollywood office, utilising capabilities enabled by the partnership with AppTek
- In the advanced stages of an M&A opportunity that is expected to be signed by the end of March
- Successfully integrated On-Global Language Marketing SL (On-Global) onto the Ai powered RAY platform within six months of purchase
- Well-funded to continue progressing the Company's growth strategy, with a cash balance of NZ\$12.4 million, and no debt

Straker Translations Limited (ASX: STG), a world leading translation platform building the future of global communication bringing machines and humans together, is pleased to provide this quarterly business update alongside its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 31 December 2019 (Q3 FY2020).

Reflecting on the progress achieved in Q3 FY2020, CEO & Co-Founder of Straker Translations, Grant Straker said:

"We are beginning to see the benefits from our strategic focus on Enterprise customers starting to flow, with a near seven-figure translation project signed with a major global Enterprise customer in the media sector. We see strong growth opportunities going forward and will continue to invest in the Enterprise and media market segments. With the third quarter being a period of transition from small private customers towards large Enterprise customers, revenue growth was subdued as we transition the Company's focus to larger, more profitable, sales."

“We are in advanced discussions with an acquisition opportunity and expect to complete negotiations and sign an agreement by the end of March. We continue to progress several other potential acquisitions and have an active pipeline of opportunities that we are focused on.

“While we are progressing M&A opportunities, we have not slowed our investment in technology and resources to underpin organic growth, and over the third quarter added two members into our R&D team and two members into our sales team.

“The investments we’re making, together with our strategic shift towards global Enterprise customers, the successful integration of On-Global, and potential M&A opportunities, establishes the pathway to becoming a \$100 million revenue business within the next three years and will drive growth in shareholder value.”

Major US TV production project

Straker Translations signed its first major subtitling project during Q3 FY2020 with a value of close to seven figures. Set to be completed by March 2020, this project is Straker Translations’ first major engagement within the US TV market and marks the first time a major US TV production studio is using artificial intelligence (Ai) and machine learning to subtitle and dub an entertainment program.

The Company’s newly established office in Burbank, Hollywood, signed this contract with a major global Enterprise in media production to provide subtitling (and via partners dubbing). The Burbank office has since continued to expand and has built a strong pipeline of future business, as the Media industry continues to be Straker Translations’ fastest growing market segment.

M&A growth opportunities

Straker Translations is in advanced discussions with an acquisition opportunity and, subject to finalising negotiations, is expecting to sign agreements by the end of March. In addition to this well-advanced opportunity, the Company continues to seek and progress other M&A opportunities that are value accretive and aligned with Straker Translations’ global growth strategy.

During the quarter the Company participated at a Localisation conference that highlighted further acquisition opportunities. Straker Translations’ M&A thesis is supported by trends in the market that favour further consolidation given increased demand from global Enterprise customers for translation providers to provide a full range of services through digital solutions.

On-Global fully integrated within 6 months of acquisition

On-Global, which was acquired on 17 July 2019, has now been successfully integrated with Straker Translations. This is the Company’s fastest integration of an acquisition to date. With On-Global now fully integrated, all work runs through the high margin Ai powered RAY platform and will improve the level of efficiencies within that business.

In addition, the offices of Straker and On-Global in Barcelona were amalgamated.

Stable cashflows and strong capital position supporting growth

Q3 FY2020 unaudited cash collections was up 2% to NZ\$6.9 million (Q3 FY2019: NZ\$6.8 million).

Operating net cash outflow for the quarter¹ of NZ\$(0.3) million, compared to an inflow of NZ\$0.3 million in Q3 FY2019, mainly reflecting the current period of transition towards large global Enterprise customers and the timing of cash collections.

Straker Translations continued to increase its investment in platform and technology development, with NZ\$0.3 million invested in capital development during Q3 FY2020. The Company will continue to invest to enable it to pursue the attractive opportunities presented by the global high growth Enterprise and Media market segments.

After a small negative foreign exchange revaluation of NZ\$(0.3) million, the business closed Q3 FY2020 with a cash balance of NZ\$12.4 million and no debt, supporting the Company in continuing to progress its growth strategy.

Q3 FY2020 – Results release and investor conference call

Straker Translations will release its Q3 FY2020 results prior to market open on 30 January 2020. Grant Straker (CEO & Co-founder) and Haydn Marks (CFO) will host an investor conference call regarding the Company's Q3 results on the same day, at 9:30am AEDT/11:30am NZDT.

For those wishing to dial into the call, please register through the following link:

<https://s1.c-conf.com/diamondpass/10003712-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 10003712 to the operator:

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Authorisation

This announcement has been authorised for release by the Board of Straker Translations Limited.

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¹ Including the impact of NZ IFRS 16 Leases

About Straker Translations

Based in New Zealand, Straker Translations has established itself as a world leading AI data driven translation platform powering the global growth of businesses.

Straker Translations has developed a hybrid translation platform that utilises a combination of AI, machine-learning and a crowd-sourced pool of freelance translators. The Company's cloud-based platform manages the end-to end translation process, leveraging AI, machine-learning (both inhouse and third party owned engines) to create a first draft translation and subsequently matching the customer's content with one or more of the approximately 13,000 crowd-sourced human freelance translators for refinement.

This process is managed using Straker's proprietary "RAY Translation Platform", which has been developed over eight years and is an enterprise grade, end-to-end, cloud-based platform. By leveraging machine translations and its big data assets, the RAY Translation Platform enables the delivery of faster and more accurate translations, lowering the time and cost to deliver versus traditional translation services. The platform can be integrated directly into customers' systems and consists of a customer dashboard, machine translation integration and modules for assisting and managing translators.

For more information visit: www.strakertranslations.com