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ASX ANNOUNCEMENT

23 April 2020

Quarterly Activities Report for Quarter Ended 31 March 2020

Straker's stable cash flows and strong balance sheet continued in Q4

Key takeaways from Q4 FY2020:

- 1) Strong capital and liquidity position, combined with appropriate overhead adjustments put the Company in a healthy position to navigate the global COVID-19 coronavirus pandemic**
 - Cash balance of NZ\$11.2 million and no debt (at 31 March 2020) provides downside protection and M&A optionality
 - Business continuity plan implemented
 - Government stimulus support expected to provide NZ\$0.6 million over the next 3 months across Straker's global footprint, with NZ\$0.4 million relating to New Zealand now received
 - Right-sized organisation is expected to deliver NZ\$3.0 million to NZ\$3.5 million of annualised savings, without impacting R&D investment in development staff and product
 - Variable cost base utilising freelance translator pool provides flexibility

- 2) Translation services are still in demand, and more so in some sectors**
 - Cash inflows of NZ\$6.8million, up 7.7% on Q4 FY2019
 - Operating net cash outflow of NZ\$(0.3) million reflects underlying business performance, including NZ\$(0.2) million of re-structuring costs to right-size the organisation's structure
 - No material change in sales pipeline, although from mid-March early signs of slower decision making emerging in certain business segments, while other segments such as Media continue to grow

- 3) Post-coronavirus, there are opportunities to increase customers seeking supply chain savings using RAY translation platform, and also for a range of well-priced M&A transactions**
 - Engaged in a number of large project discussions with several global organisations seeking to improve supply chain efficiency through the use of Ai-powered translation services
 - Successfully acquired NZTC International, a New Zealand based translation business with unaudited historic full year revenue of NZ\$4.3 million
 - M&A growth strategy paused given the current market environment
 - Straker remains committed to its vision to be a \$100 million revenue company within 3 years

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 Activities Report alongside its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 31 March (Q4 FY2020).

Reflecting on Q4 FY2020, CEO & Co-Founder of Straker Translations, Grant Straker said:

“While the positive benefits from our strategic focus on Enterprise customers started showing in January and February, the impact of the global COVID-19 coronavirus pandemic reduced revenues in the last two weeks of March as key customers deferred product launches and commercial activity reduced generally. Our new business pipeline remains strong, and we continue to see demand for translation services in the current environment.

“Our Media segment continued to grow strongly in the March quarter, and since the end of March has seen smaller revenue declines than our other business segments. On the Enterprise side we have managed to secure seven new Enterprise clients during the fourth quarter, and they will generate revenues fairly quickly, albeit we won’t see substantial revenues from these new customers until the market environment returns to a more normal rhythm.

“Our main focus over the last couple of months has been on making sure our global team remains safe and healthy. We moved to remote working for our employees in Europe prior to the shut-downs coming into place, and all our global employees are now working from home. Also, clients are not experiencing any change in service and support levels, and we are seeing growing use of our proprietary Ai-powered RAY translation platform.

“Importantly, we are maintaining the momentum of our development group and continuing to invest in key development staff and product enhancements. We see tremendous opportunities for our Ai-powered RAY translation platform driving new business amongst companies seeking supply chain savings.

“We are very pleased to have acquired NZTC International during the fourth quarter, and we see a great opportunity to increase their gross margin as we move their work onto our Ai-powered RAY translation platform. The integration is well underway, and we are already seeing an increasing number of NZTC International’s projects being processed on our platform.

“With NZ\$11.2 million cash in the bank and no debt, and our organisational structure right-sized, the Company is in a strong position to weather the potential impact of the global pandemic, and allow us to continue to pursue growth initiatives that should see the business come out even stronger once the pandemic is behind us.”

Global COVID-19 coronavirus pandemic

Straker Translations’ number one issue during this time has been to ensure that all its employees globally are safe and healthy, and that they have the necessary support they require. The Company’s Ai-powered RAY translation platform manages the majority of work that comes in on a cloud-based workbench that can easily move jobs across different regions and project managers. As a result, the business is very agile and it has allowed all employees to work from home even before Government enforced shut-downs were in place, while ensuring client service and support levels remained at their previously high levels.

While sales levels in January and February continued historic growth patterns, the global coronavirus pandemic impacted sales from mid-March 2020 with an underlying drop in sales orders of around 7%. Given the dynamic nature of the pandemic response, it is hard to predict with accuracy revenues for

Q1 FY2021, however, the Company is seeing opportunities to cushion the impact of the underlying decline in revenue with some larger one-off projects.

To ensure that Straker Translations has an organisational and overhead structure aligned with the current operating environment, the Company has taken the steps necessary to re-structure and cut costs where possible, while ensuring that client service and support levels are not affected. The initiatives implemented to date are expected to deliver annualised cost savings of between NZ\$3.0 million to NZ\$3.5million. In addition, the Company is also receiving Government stimulus support totalling NZ\$0.6 million globally, including NZ\$0.4 million from the New Zealand Government in relation to the Company's New Zealand based employees.

While decisions have been made to re-align the Company's operating structure and overhead cost base, Straker Translations' investment in its development staff and product technology will continue in line with historic levels to ensure that when the market environment returns to a more normal rhythm, the Company can aggressively pursue new customers and additional business from its existing customers.

Successful acquisition of NZTC International

On 10 February 2020, Straker Translations acquired NZTC International (NZTC), an international translation and interpreting business headquartered in Wellington, New Zealand. NZTC's unaudited revenue for the prior 12 months was NZ\$4.3 million. Having operated a strong and stable business over the past 30 years, founders Liz Seymour and Paul Sulzberger believed the business would greatly benefit from accessing Straker Translations' leading edge Ai-powered RAY translation platform and being part of a larger global company.

The global Enterprise market is increasingly moving towards comprehensive solution packages across geographies, languages and services. The acquisition of NZTC strategically added "interpreting" services to Straker Technology's offering and supported the Company's ability to provide Enterprise customers with an integrated global offering covering translations, interpretation and media localisation on a single proprietary translation platform.

The integration of NZTC is progressing well, with work from their translation business already moving onto Straker Translations' Ai-powered RAY translation platform. As more and more of NZTC's work is transitioned across to the workbench, margin improvements will be significant and the speed at which NZTC delivers its projects to clients will increase as well.

M&A activity

As a result of the current market environment, Straker Translations has paused its M&A activity, stepping back from a potential acquisition during the latter part of the quarter. This potential acquisition was put on hold by both parties.

M&A continues to play an important role in Straker Translations' future growth. Opportunities to find strategically valuable and well run businesses will increase once the economic impact from the global pandemic eases, and the Company's current cash balance not only provides downside protection in the current market environment but also M&A optionality.

Stable cashflows and strong capital position

Q4 FY2020 unaudited cash collections were up 7.7% to NZ\$6.8 million (Q4 FY2019: NZ\$6.3 million).

Operating net cash outflow for the quarter¹ of NZ\$(0.3) million, compared to an outflow of NZ\$(0.3) million in Q4 FY2019. Q4 FY2020 cash outflow reflects the underlying business performance, including NZ\$(0.2) million of re-structuring costs that will result in lower ongoing operational costs moving forward.

Straker Translations continued to increase its investment in platform and technology development, with NZ\$0.3 million invested in capital development during Q4 FY2020. The Company will continue to invest to enable it to pursue the attractive opportunities presented by the global Enterprise and Media market segments.

The volatility on the foreign exchange market along with a weakened NZ Dollar has resulted in a positive FX impact of NZ\$0.6 million, with the business closing Q4 FY2020 with a cash balance of NZ\$11.2 million and no debt. This strong capital and liquidity position will support the Company's ability to continue operating through the current challenging market conditions, while being well placed for growth when the opportunity presents itself.

Related Party Transactions

An amount of NZ\$90 thousand was paid to directors in fees, during the fourth quarter FY2020 and a further NZD\$29 thousand was paid to a director in relation to consulting services provided.

Quarterly Activities Report Video

A short video presentation by Grant Straker on the key takeaways from the Company's Q4 2020 Activities Report can be viewed at:

<https://www.strakertranslations.com/company/investors/updates/4cq4/>

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

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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.

¹ Including the impact of NZ IFRS 16 Leases

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