Straker Translations Limited
Level 2, Building 3
61 Constellation Drive
Rosedale 0632
NEW ZEALAND

ARBN: 628 707 399
Ph: +64 9 801 0648

www.strakertranslations.com
investors@strakertranslations.com

ASX ANNOUNCEMENT

29 May 2020

Straker continues to successfully execute its growth strategy

Key takeaways from FY20 results (comparisons to FY19)**:**

1) Translation services continue to be in demand, and more so in some sectors

- Revenue up 13% to NZ$27.7 million
- Repeat revenue up 18% to NZ$23.9 million; now accounts for 86% of revenue
- Statutory Gross Margin up 0.2% to NZ$15.2 million, with Translation margin up 0.5%
- Adjusted EBITDA loss down NZ$(0.4) million to NZ$(0.58) million
- Operating cash outflow of NZ$(1.6) million reflects the Company's increasing focus on Enterprise customers, re-structuring costs and ongoing R&D investment
- No material change in sales pipeline, although from mid-March early signs of slower decision-making emerged in certain business segments, while other segments such as Media continue to grow
- Statutory loss after income tax was NZ$(2.5) million, an improvement of $1.8 million on FY19; this included a NZ$(0.8) million impairment of goodwill

2) 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

- NZ$11.2 million cash and no debt provides downside protection and M&A optionality
- Government stimulus support provides NZ$0.5 million across Straker's global footprint
- Right-sized organisation is expected to deliver NZ$3.0-3.5 million of annualised savings, without impacting R&D investment in development staff and product
- Variable cost base utilising freelance translator pool provides flexibility

3) Post-coronavirus, there are opportunities to increase customers seeking supply chain savings using Ai powered RAY translation platform, and 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, with unaudited revenue of NZ$4.3 million for the 12 months to 31 December 2019
- M&A growth strategy paused given the current market environment

4) Straker remains committed to its vision to be a $100 million revenue company within 3 years

Straker Translations Limited (ASX: STG), a world leading translations platform building the future of global communication using machines and humans together, is pleased to announce its results for the 12 months ended 31 March 2020 (FY20).

Growth in revenue, improved Gross Profit and stable EBITDA

Revenue in FY20 was up 13% to NZ$27.7 million, and pre-COVID-19 was tracking to achieve a run-rate of NZ$40 million. Repeat revenues increased 18% during FY20 to NZ$23.9 million and represented 86% of overall revenue. Reflecting the Company's strategy to focus on growing its Enterprise and Business segment, average project revenue continued to increase, and as at 31 March 2020 was up 18%.

The number of business customers using Straker Translations' proprietary Ai powered RAY translation platform was up 23% to 2,650. Not only does the RAY platform increase the speed at which customers can translate projects and deliver substantial savings to them, it also delivers increased gross margin as more work is moved onto the platform from acquired companies. Gross margin on the RAY platform currently sits at 56% (FY19: 56%) and underpinned an overall 55% margin in Gross Profit to NZ$15.2 million.

On a non-IFRS financial performance basis, Straker produced an Adjusted EBITDA loss of NZ$(0.58) million, an increase of NZ$(0.4) million on FY19. The change reflected the Company's shift in focus to attract Enterprise customers, continued R&D investment to expand its footprint in the Media industry and bearing the additional costs of being a listed company, offset by the effects of the new IFRS 16 lease standard.

The reported operating loss of NZ$(2.4) million was an increase on the FY19 comparable loss of NZ$(0.8) million. The FY20 result included NZ$(0.8) million related to increases in depreciation and amortisation and restructuring costs from right-sizing to respond to COVID-19. In addition, NZ$0.8 million of goodwill related to the Group's subsidiary Elanex was impaired as a result of a current banking customer closing its investment banking arm, which Straker provided translation services for, as well as the likely impacts of COVID-19 on this part of the business.

The loss after income tax was NZ$(2.5) million, which was an improvement of $1.8 million on FY19.

Stable cashflows and strong balance sheet

Operating net cash outflow of NZ$(1.6) million was up NZ$(0.5) million on last year as the Company continued to progress its strategy to focus on Enterprise and Media, invest in R&D and re-structure the business to achieve cost synergies. While larger in size, Enterprise and Media projects have longer sales duration times.

The Company continues to have a strong capital position with NZ$11.2 million cash at bank and no debt, other than the deferred and contingent consideration in respect of acquisitions and lease liabilities recognised under IFRS 16 as at 31 March 2020.

Reflecting on FY20, the current business climate and Straker's future growth opportunities, CEO & Co-Founder of Straker Translations, Grant Straker said:

"FY20 was a solid year for our business. We achieved most targets and even with the challenges of COVID-19 have been able to position ourselves well for our goal of becoming a $100 million revenue business within three years. The excellent work our team members have done to shift focus towards Enterprise and Media customers is now starting to bear fruit as we have signed on several new Enterprise customers and won several big projects in the last couple of months.

"The safety and well-being of our employees is of outmost importance to us, and I would like thank all our employees for quickly shifting into a working from home mode without affecting the excellent support and service levels we provide to our customers. We have right-sized our operations to achieve a more streamlined productions team, without decreasing our ability to provide support for our customers, without decreasing our capacity and without affecting our R&D investment.

"Reflecting our continued focus on technology investment, during the year we launched version 4.0 of our Ai powered RAY platform, increasing our digital capabilities, helping us deliver projects faster to customers at better gross margins, and increasing our ability to take on larger projects in shorter time frames. The launch of our Ai RAY Media platform allowed us to win a major project with one of the world's largest production houses and we have since continued to increase our revenue and productivity in this very attractive US$97 billion global market, with Straker Translations now one of the leading technology providers for localisation of media content.

"M&A continues to be a major plank of our growth strategy. The acquisitions of On-Global and NZTC International during FY20 were strategically important. Given prior acquisition and integration experience, we have been able to integrate these two companies very quickly and improved margins at both businesses. While we have paused our M&A efforts in the near-term, we are taking this time to further evaluate different opportunities in our pipeline.

"FY21 has started in a stable way, with revenues for the first six weeks of the new financial year in line with the previous year even with the challenging operating conditions all businesses currently face. While commercial activity has generally reduced and key customers have deferred product launches, the circa 25% reduction in revenues caused by these delays has been largely offset by COVID specific projects, such as the need for subtitled video conferences and quicker translations for online businesses. Based on the Company's performance over the past six weeks and what we can see ahead, we believe revenue will be stable over FY21 relative to FY20, a strong outcome in very challenging market conditions."

Enterprise customer growth

The number of Enterprise customers grew by 70% to 56 in FY20, with a strong pipeline of opportunities. Straker Translations' strategic shift towards business and Enterprise customers is building a stable repeat customer base. COVID-19 is opening up new organic opportunities as companies look to reduce cost and integrate all their translation services onto one platform.

Media segment revenue up 55% like for like on FY19

Having set a goal of becoming a top-10 media localisation service provider globally, Straker Translations is innovating its own platform while also partnering with technology providers that enable the translation process to be sped up.

The launch of Straker Translations' Ai powered RAY Media platform solved an important aspect of translations for production houses and other media channels – the ability to translate huge data volumes in short delivery times. Through technology innovation, Straker Translations was able to deliver a project of 100 hours of subtitles in just 10 days, compared to 8 weeks historically.

To leverage these technological capabilities, Straker Translations is building direct relationships with major studios and production houses. In addition, with major global conferences now being conducted online, there has been an increase in demand for complex translation projects from non-media companies for a "media type" service, and Straker is targeting these new opportunities to provide further value to existing and new customers.

Temporary pause to M&A

Given the current market environment, Straker Translations put a temporary pause on M&A activity. This impacted an acquisition being negotiated with a European opportunity, but the Company is still in contact with the owners and expects to re-engage once the market impact from COVID-19 is clearer.

Straker Translations continues to have a strong pipeline of potential M&A prospects and expects that as the COVID-19 pandemic subsides a number of attractive opportunities will emerge.

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

FY2020 – Investor webinar

Grant Straker (CEO & Co-founder) and Haydn Marks (CFO) will host an investor webinar regarding the Company's FY20 results today at 10:30am AEST/12:30pm NZST.

For those wishing to participate in the webinar, please pre-register through the following link: https://us02web.zoom.us/webinar/register/WN_q5iJIAz6SDCpOtgKNDXGlg

Investors must pre-register in order to participate.

For further information, please contact:

Corporate:

Grant Straker, CEO & Co-Founder
E: grant@strakertranslations.com
P: +64 21 512 484

OR

Haydn Marks, CFO
E: haydn@strakertranslations.com
P: +64 21 221 1040

Investors:

Ronn Bechler, Market Eye
E: ronn.bechler@marketeye.com.au
P: +61 400 009 774

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