

ASX ANNOUNCEMENT

30 October 2020

Quarterly Activities Report for Quarter ended 30 September 2020

New market opportunities and technology leadership underpins sales growth

Key takeaways from Q2 FY2021:

- 1) Sales orders up 29% on Q2 FY2020 to NZ\$7.5 million with September 2020 up 18% on the next highest month, at \$3.0 million; Q2 revenue at NZ\$7.2 million (unaudited), with recovery in most market segments continuing**
 - Recovery seen in nearly all market segments, with September sales orders the Group's highest yet, up 18% on the previous high and exceeding the \$3 million monthly milestone
 - Strong sales pipeline continuing to grow with several sizeable new enterprise opportunities
 - Lower overhead costs given acquisition synergies and COVID-19 right sizing underpin savings that are now being reinvested to deliver growth in sales and pipeline opportunities
 - New market opportunities as larger translation users look to utilise more technology in the translation process and to move to an outsourced model post COVID-19

- 2) Continued growth in revenue growth**
 - Record half-year revenue, unaudited at NZ\$14.8 million
 - Full financial year run rate revenue at end of Q2 FY2021 was NZ\$28.7 million, up 4% from Q2 FY2020

- 3) Further enhancing Straker's technology leadership**
 - Enhanced functionality for subtitling and user optimisation for the translation workbench
 - Increased RAY's filetype support and XML parsers
 - New media QA and amalgamated reporting features

- 4) Underlying operating cash flow still strong**
 - Operating cash inflows – customer receipts up 7% to NZ\$7.8 million (versus Q2 2020)
 - Operating net cash outflow of NZ\$(0.04) million reflecting acquisition synergies and COVID-19 right sizing

- 5) Total cash outflow of NZ\$(1.0) million; cash balance of NZ\$7.7 million at 30 September 2020**
 - Includes NZ\$(0.7) million in earn-out payments

6) Discussions with potential M&A opportunities occurring

- Evaluating several new M&A opportunities
- Goal remains to undertake at least one material acquisition in FY2021

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 30 September 2020 (Q2 FY2021).

Reflecting on Q2 FY2021, CEO & Co-Founder of Straker Translations, Grant Straker said:

“The continued growth we have achieved this quarter, including our biggest ever sales order month in September, highlights the compelling value we generate for our customers through our unique translation technologies. Straker is fast becoming a world leader in using Ai, humans and automation in the translation process. The growth in Enterprise customers is testament to this.

“It’s not just about top line revenue growth. As a technology company, we’re very focused on recurring business. Over 80% of revenues is currently related to repeat business and we have aspirations to further grow this.

“As the translation industry consolidates globally, we continue to grow organically, extract synergies from acquisitions, and pursue M&A opportunities. The integration of NZTC has been very successful with substantial value created, not just in terms of cost synergies, but also revenue synergies through NZTC’s clients utilising Straker’s technologies to drive supply chain savings and efficiencies.

“The company’s cash position, with NZ\$7.7 million in the bank and no bank debt at 30 September, has supported us in funding our growth initiatives, including further investment in R&D. The combination of cash on the balance sheet, a growing pipeline of organic opportunities, enhanced technologies and increasing repeat customers, positions Straker to deliver on the growth opportunities we see for our business.”

Repeat customers in new market segments underpinning growth

During Q2 FY2021, Straker won a major Media project leveraging the Company’s media tech platform. We continue to see opportunities in the enterprise space, though the media entertainment business is subdued as new productions are affected by COVID-19.

Recurring Enterprise customers delivered 46% of sales over the past six months, reinforcing the value of this segment to Straker’s growth. Larger translation users are evaluating technology such as RAY and looking to use more of an outsourced/variable cost model post COVID-19, which aligns well with our market offering. Recurring sales orders stood at \$11.5 million over H1 FY2021.

R&D investment supports technology lead

During the quarter, several R&D projects were undertaken and completed, with the major one being the ability to support a much wider range of file types through our API making it easier to connect to more systems for automation of the translation process.

We are further increasing the capacity of our Ai powered RAY Media platform given the substantial increase in data being processed, which was up 81% year-on-year. This new technology allows for a significant commercial uplift in the Media market and further extends our technology lead in the sector.

We are working to further enhance our platform integration connectors with partners like AppTek going forward and investing R&D resources into advanced dubbing technology.

Substantial synergies achieved with NZTC, and M&A activity recommenced

Substantial synergy benefits relating to the acquisition and successful integration of Straker’s most recent acquisition – NZTC – have been achieved.

Discussions are now progressing with potential M&A targets, with the objective of undertaking at least one material acquisition before the end of FY2021.

Stable cashflows and comfortable capital position

Q2 FY2021 unaudited cash collections were up 7% to NZ\$7.8 million (Q2 FY2020: NZ\$7.3 million) reflecting increased sales growth.

Operating net cash outflow for the quarter of NZ\$(0.04) million, compared to an outflow of NZ\$(0.3) million in Q2 FY2020. Within this cash outflow amount was NZ\$(0.2) million in one-off redundancy and other costs associated with structural right-sizing.

Finance net cash outflow for the quarter of NZ\$(0.8) million is comprised mainly of earn-out payments of NZ\$(0.7) million. The payments reflect the successful integration of these previous acquisitions.

Straker Translations continued to increase its investment in platform and technology development over Q2 FY2021. The Company will continue to invest in R&D, enabling it to pursue the attractive opportunities presented by the global Enterprise and Media market segments.

The foreign exchange currency rates were stable in total over the quarter, having a positive FX impact of NZ\$0.04 million, with the business closing Q2 FY2021 with a cash balance of NZ\$7.7 million and no bank debt. This capital and liquidity position not only provides downside protection in the current market environment, but also M&A optionality.

Related party transactions

An amount of NZ\$87,000 was paid to Directors in fees during Q2 FY2021 and a further NZ\$20,000 was paid to a Director in relation to consulting services provided.

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

For further information, please contact:

Corporate:

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

Investors:

David Ingram, CFO
E: david.ingram@strakertranslations.com
P: +64 21 591 984

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 and machine-learning 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

Appendix to Quarterly Activity Report Quarter Ended 30 September 2020

Use of Funds Statement

Pursuant to ASX listing rule 4.7C.2, the Quarterly Use of Funds Report below sets out a comparison of actual expenditure on individual line items in the Use of Funds Statement since the date of admission to the ASX, against the prospectus, which was lodged with ASIC in October 2018.

Part 7.4 of Prospectus	Prospectus Use of Funds	Funds Used to 30 Sep 2020
	NZ\$ '000	NZ\$ '000
Payments of proceeds to selling shareholders	3,043	3,072
Investment in sales and marketing, product development, general corporate purposes and customer acquisition, including potential additional acquisitions	14,674	7,294
Working capital	1,957	1,957
Cost of the offer	3,370	3,461
Total Use of Funds	23,043	15,784

Proceeds from the IPO have been utilised in line with Part 7.4 of the Prospectus. Significant investment in product development and three completed acquisitions are clear indicators of the Company's commitment to its growth strategy.

The Company has successfully retained funds through difficult global economic circumstances to enable it to continue to carry out its stated business objectives and to act quickly to take advantage of opportunities as they arise.