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 – For immediate release

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STRAKER CONTINUES TO INCREASE REVENUE AND INVEST FOR GROWTH

- **Revenue of NZ$13.6 million, up 13.3%**
- **Repeat revenue of NZ$12.4 million, up 28%, now accounts for 92% of revenue**
- **Statutory Gross Margin of NZ$7.4 million, up 12%**
- **Adjusted EBITDA loss of NZ$(0.2) million**
- **Operating cash outflow of NZ$(1.0) million reflects ongoing investment in operations as the business scales**
- **NZ$14.0 million cash at bank and no debt; strongly positions Straker to continue executing its growth strategy**

Straker Translations Limited (ASX: STG), a world-leading translation platform building the future of global communication bringing machines and humans together, is pleased to announce its results for the six months ended 30 September 2019 (H1 FY20).

H1 FY20 results reflect continued investment and focus on growing Enterprise customers

Revenue in H1 FY20 was $NZ13.6 million, up 13.3% on H1 FY19, reflecting the Company's increasing emphasis on Business[3] and Enterprise[4] customers to drive long-term growth, as well as the addition of four months' revenue from On-Global Language Marketing Services SL (On-Global), acquired in June 2019, and the addition of six months' revenue from COM translations Online SL (COM), acquired in March 2019.

Repeat revenues of NZ$12.4 million were up 28% on H1 FY19 and represented 92% of overall revenues compared to 81% in H1 FY19. The growth in repeat revenues was driven by both organic growth in core business activities and acquisitions. Revenues from small (personal) customers declined during the first half, as Straker transitions its focus away from a sector that continues to prove expensive to service. The decline in revenues from these customers is expected to be more than offset by the growth in revenues from Business and Enterprise customers going forward.

Straker was selected as one of five preferred vendors for a major global Enterprise during H1 FY20, and the Company expects revenue to rapidly increase from that customer as multiple old vendor agreements end on their side.

By leveraging the Company's proprietary Ai RAY technology platform, Straker continues to generate gross margins at higher than industry norms for translation services. Blended gross margin for H1 FY20 was 54.4%, which includes COM, a specialist media industry translation business. The slight reduction in gross margin percentage relative to H1 FY19 is principally attributable to COM, which had a number of media contracts executed prior to acquisition at lower margins than the Company typically secures.

Operating costs of $NZ7.7 million in H1 FY20 were up 17%, reflecting the increased cost contribution of the acquired businesses, the ongoing R&D investment in the Company's Ai RAY technology platform and the additional costs of being a listed company. As acquired businesses become fully integrated into Straker's operations, operational efficiencies and cost savings are expected to materialise in H2 FY20.

On an adjusted EBITDA basis[1], the Company generated a H1 FY20 loss of NZ$(0.24) million[2], a decrease of $NZ0.35 million on H1 FY19's adjusted EBITDA profit of NZ$0.11 million. Cost growth was slightly higher than revenue growth as the benefits of scale were outweighed by acquisition integration costs, increased investment in the Ai RAY platform and sales and marketing expenses to position the Company to execute on the growth opportunities that are visible.

Operating cash outflow in H1 FY20 was NZ$(1.0) million and comparable to the previous reporting period of NZ$(1.0) million. The Company continues to be in a strong position to deliver on its M&A and organic growth strategies, with NZ$14.0 million cash at bank and no debt at 30 September 2019.

Reflecting on the progress achieved in H1 FY20 and the Company's growth opportunities moving forward, CEO & Co-Founder of Straker Translations, Grant Straker said:

"We are excited by the opportunities we see for Straker's Ai RAY platform in the global translations market and have focused on ensuring we have the right growth foundations in place to deliver on the opportunities we see. The investment we have been making into our Ai RAY platform is paying dividends with ongoing high margin revenue and repeat revenue now reaching 92%.

"Our focus on building out our Business and Enterprise customer base is expected to deliver substantial returns going forward. Over the first half, we established a global Enterprise sales team and our pipeline in this segment is the largest to date. While this segment of the market has longer lead times, it will generate more consistent and larger revenues for our business.

"We have been integrating the acquisitions made over the past 12 months and are seeing the benefits of scale flowing through. We are confident of securing another acquisition by the end of FY20. Our structured M&A process to identify, acquire and integrate businesses is one of the key planks of Straker's global growth strategy.

"We continue to grow our exposure to the fast-growing Media segment of the global translation market and are executing on our plan to become a global force in this segment. The AppTek partnership, coupled with our recent acquisition of COM Translations, increases our competitive advantage in this segment enabling increased levels of automation to speed up speech-to-text, transcription and text-to-screen services for our customers.

"We have a strong balance sheet with NZ$14 million cash, and are confident that the investment in platform technology, M&A, and sales and marketing over the first half of this financial year, as well as our focus on Enterprise clients, will underpin strong growth to come."

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[1] Non-IFRS financial performance measure.

[2] H1 FY20 includes an $0.26 million effect from the new accounting lease standard IFRS16, whereby lease costs shift from being classified as operating costs to being classified as depreciation and finance costs. H1 FY19 comparatives do not include this change.

[3] Enterprise customers are defined as large business customers that have a minimum spend of $100k with a regular order frequency, or are strategic customers.

[4] Business customers are defined as entities for whom Straker possesses business contact details and a business category for their projects.

Successfully executing M&A

Over the last three years, Straker has successfully concluded six European acquisitions, and has demonstrated its capability to integrate these businesses into its operations. Importantly, these acquisitions have brought with them many significant Enterprise customer relationships, which will provide long-term benefits for Straker.

The acquisition of COM in March 2019 (now re-named Straker Media) allowed the Company to enter the attractive media localisation marketplace, arguably the fastest growing segment of the global translations market, with large Enterprise customers secured as part of the acquisition transaction. In order to capitalise on the large potential of the media market segment, the Company has invested in adding specific media localisation capability into its proprietary Ai RAY technology platform and is in the process of establishing a sales office in Los Angeles, where many of the large global media, film and television organisations are based.

The acquisition in June 2019 of European translation company, On-Global Language Marketing SL (On-Global), based in Vitoria-Gasteiz and Barcelona in Spain, further consolidated Straker's position in the Spanish language market.

During H1 FY20, the Company undertook due diligence on a small number of new acquisition opportunities that for various reasons were not concluded. However, other acquisition opportunities remain under active review and we expect to close one of these in H2 FY20.

The Company intends to continue its acquisition programme while concurrently focusing its sales, marketing and delivery resources on securing new Enterprise customers and growing revenues from existing Enterprise customers through its global account management activities.

Further development and strengthening of Ai RAY platform

Straker continued to invest in its proprietary Ai RAY translation platform, which provides it with a key source of competitive advantage. During H1 FY20, $1.1 million of R&D investment was made, accounting for 8.1% of revenue, to fund enhancements to the platform's core translation workbench, its connectivity with other systems, security, its scalability and its Ai capability.

Straker saw exceptional growth in data points during H1 FY20, doubling the number of data points to 1,000 billion. This was achieved by importing valid and accurate data points from acquisitions Straker has made over the past 3 years and the continued workflow on the Ai RAY platform. By comparison, it took Straker 8 years to reach 500 billion data points. Combining the growth in data points for the Ai RAY platform with above mentioned R&D investments, Straker continues to drive further gains for our customers in terms of time, cost and accuracy.

The Ai RAY media platform was released in September 2019. This extension to the core platform will provide sector specific capabilities for the global media industry and the technology integration partnership with AppTek has enabled Straker to enhance the attractiveness of its offering to that market quickly.

Growth to be underpinned by larger Business and Enterprise customers

The Company's Board of Directors is pleased with the progress Straker has made during H1 FY20. Revenue growth continued and the proportion of repeat revenues that made up total revenues increased.

Straker has a clear strategy in place for delivering on its growth agenda – growth that will be achieved both organically and through continued acquisition activity. The focus on growing Business and Enterprise customers is the right focus. While sales lead times are longer, the size of the opportunity is significantly larger and supports a more rapid scaling of the business.

H1 FY2020 – Investor conference call

Grant Straker (CEO & Co-founder) and Haydn Marks (CFO) will host an investor conference call regarding the Company's H1 results today 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/straker-10002545-invite.html

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID **10002545** to the operator:

AUSTRALIA TOLL/INTERNATIONAL +61 2 9007 3187
AUSTRALIA TOLL-FREE 1 800 870 643
NEW ZEALAND TOLL-FREE 0800 453 055

For further information, please contact:

Corporate:
Grant Straker, CEO and Founder
E: grant@strakertranslations.com
P: +64 21 512 484

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

Investors:
Ronn Bechler
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