

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

30 July 2020

Quarterly Activities Report for Quarter ended 30 June 2020

New market opportunities and technology leadership underpins growth

Key takeaways from Q1 FY2021:

- 1) Sales orders up 24% on Q1 FY2020 to NZ\$8.0 million; Q1 revenue only slightly down on a proforma basis at NZ\$7.6 million, with June 2020 revenue up 28% on June 2019 as all market segments recover**
 - Growing demand in the Media segment and new Enterprise opportunities such as online business events and video conferences, largely offset project deferrals in April and May
 - Recovery seen across all market segments in June, with revenue up 28% on June 2019 (up 30% on May 2020)
 - Strong sales pipeline with Media opportunities continuing to grow and several sizeable new Enterprise opportunities
 - Reduced company headcount by 15% to underpin permanent savings while benefiting from productivity gains on the RAY platform
 - Run rate revenue at end of Q1 was NZ\$31.7 million, up 13.4% from end of Q1 FY2020

- 2) Significant achievements in R&D, further enhancing technology leadership**
 - New proprietary technology replaced FrontLab InDesign on the RAY platform, allowing customers to do more on the RAY platform, and increasing the platform's value-add and economic benefits
 - Additional functionality added to RAY Media 2.0 platform including updated automated speech recognition (ASR) and Straker's advanced subtitling workbench
 - New Sitecore connector released, improving connectivity to this large content management system for Straker's Enterprise customers
 - New RAY vendor payment engine simplifies the management of payments to thousands of translators and includes full auto-batching of payments

- 3) Underlying operating cash flow still strong, reflecting effective customer cash collection performance**
 - Operating cash inflows – customer receipts up 13.1% to NZ\$6.9 million (versus previous comparable period)

- Operating net cash outflow of NZ\$(0.2) million includes NZ\$0.4 million in Government COVID-19 measures
- 4) Total cash outflow of NZ\$(2.5) million reflecting earn-out payments and increased R&D project spending; strong cash balance of NZ\$8.7 million at 30 June 2020**
- Includes NZ\$(1.2) million in earn-out payments, NZ\$(0.4) million R&D investment and \$(0.1) million of one-off restructuring costs to right-size the organisation's structure
- 5) Discussions with potential M&A opportunities restarted**
- Evaluating several new M&A opportunities that have come through from brokers
 - Goal of undertaking at least one 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 June 2020 (Q1 FY2021).

Reflecting on Q1 FY2021, CEO & Co-Founder of Straker Translations, Grant Straker said:

"The return to growth that we have seen this quarter has been very pleasing and reflects the continued excellent work of our entire global team in these extraordinary times. Most pleasing is the strong growth generated across all our market segments in June, and the continued technological innovations we are creating and implementing to enhance the translation experience for our customers, given the growing demand we are seeing and experiencing for our services.

"We previously identified that large Enterprise customers would be key drivers of growth, and it has predominantly been large Enterprise repeat customers that have delivered revenue through the COVID-19 crisis. We are seeing a trend towards larger Enterprise translations consumers looking for tech enabled suppliers, and our pipeline of deals in this area has increased as large global businesses look to use Ai-driven platforms like RAY to reduce costs post COVID-19.

"Technology is at the heart of our customer value proposition. We have brought machines and humans together in a way that no other translation company has been able to do, and this has allowed us to continually decrease production time while increasing accuracy. Over the past three months we have added new platform connectors, replaced the legacy InDesign validation system, enhanced our Media localisation platform, and further driven supply chain savings and efficiencies for our customers.

"M&A continues to be a key pillar of Straker Translations' growth, and we have re-started talks with several opportunities previously identified. With a better understanding of the new COVID-19 affected market environment, we are aiming to undertake at least one acquisition this financial year.

"In these extraordinary times, cash is king, and we continued to maintain a strong balance sheet to fund our growth initiatives, including further investment in R&D. After payment of earn-outs, cash at bank at the close of the quarter was NZ\$8.7 million. With this cash balance, no debt, and a right-sized organisational structure, Straker Translations is in a strong position to deliver on the growth opportunities we see for our business."

Growing demand in new market segments

The current operating environment, having been impacted by Government restrictions globally to address the COVID-19 pandemic, has seen growing demand for Straker Translations' services

For personal use only

supporting online content, streamlined global operations/events with video conferencing and real-time translations, and media streaming. Demand levels for these services have continued to rise even as Government restrictions have eased.

The growth in new market segments over Q1 FY2021 mainly offset decreased revenues from “traditional” work as large customers deferred near-term product launches and updates.

Revenue in the month of June returned to strong growth, up 28% on June 2019, as “traditional” work returned, and new market segments continued to grow.

R&D investment supports technology lead

During the quarter, several R&D projects were undertaken and completed, with the major one being the development of an in-house validation solution replacing the legacy InDesign system on the Ai powered RAY platform. This allows our customers to better integrate their website designs and translations on the platform, leading to a smoother customer experience and better end results for our customers.

We are now focused on further increasing the capacity of our Ai powered RAY Media platform given the substantial increase in data being processed. Once completed, the technology will allow for a significant commercial uplift in the Media market and further extend 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.

Re-starting M&A activity

Straker Translations has re-engaged with some of the previously identified acquisition targets, as we now better understand the extraordinary market conditions we are operating under. Discussions are in their early stages with the objective of undertaking at least one acquisition before the end of FY2021.

Stable cashflows and strong capital position

Q1 FY2021 unaudited cash collections were up 13.1% to NZ\$6.9 million (Q1 FY2020: NZ\$6.1 million) reflecting effective cash collection activity and a 5% decline (versus Q1 FY2020) in NZ\$ versus major invoicing currencies.

Operating net cash outflow for the quarter of NZ\$(0.2) million, compared to an outflow of NZ\$(0.7) million in Q1 FY2020. Within this cash outflow amount was NZ\$0.4 million in COVID-19 Government subsidies received and NZ\$(0.1) million in one-off redundancy and other costs associated with the structural right-sizing.

Finance net cash outflow for the quarter of NZ\$(1.4) million is comprised mainly of earn-out payments of NZ\$(1.2) million. The payments reflect the successful integration of these previous acquisitions.

Straker Translations continued to increase its investment in platform and technology development, with NZ\$0.4 million invested over Q1 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 table below provides a summary of Receipts and Expenditures for Q1 FY2021 business activities (refer also the accompanying Appendix 4C):

	FY2021 YTD (3 months) NZ\$ '000
Receipts from customers	6,923
Operating costs	(3,639)
Research and Development	(389)
Selling, General & Administration expenses (corporate overheads)	(3,838)
Investing activities	(509)
Financing payments / receipts	(1,427)
Other – COVID-19 subsidies	409

Notes:

- (1) Numbers in the table are presented on a cash basis, consistent with the Appendix 4C
- (2) Numbers include the effect of movement in exchange rates on cash held
- (3) Expenditures include allocations of staff costs, which are shown as a separate line in the Appendix 4C

The foreign exchange market stabilised in the quarter and the NZ\$ strengthened, having a negative FX impact of NZ\$(0.3) million, with the business closing Q1 FY2021 with a cash balance of NZ\$8.7 million and no debt. This strong 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\$75,000 was paid to Directors in fees during Q1 FY2021 and a further NZ\$5,000 was paid to a Director in relation to consulting services provided.

Quarterly activities video presentation

A short video presentation by Grant Straker on the key takeaways from the Company's Q1 FY2021 business update can be viewed at:

<https://www.strakertranslations.com/company/investors/announcements/4cq1-fy21/>

2020 Straker Translations product roadmap / demo investor briefing

A product roadmap / demo briefing for investors will be held at 4.00pm AEST / 6.00pm NZST on Tuesday 4 August 2020. The webinar, by Straker Translations' Head of Platforms, Gianluca Savenije, will explain the future of translations services and where technological innovation drives growth. Gianluca will present Straker Translations' RAY Ai platform evolution and walk investors through recent key technological innovations. Attendees will have the opportunity to ask questions in a virtual Q&A format. Pre-registration is required at:

https://us02web.zoom.us/webinar/register/WN_h2RoAUTPTOaPPo7VfHfzhg

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:

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 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

For personal use only

Appendix to Quarterly Activity Report Quarter Ended 30 June 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 June 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	6,247
Working capital	1,957	1,957
Cost of the offer	3,370	3,461
Total Use of Funds	23,043	14,737

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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Straker Translations Limited

ABN

628 707 399

Quarter ended ("current quarter")

Q1 – 30 June 2020

Consolidated statement of cash flows	Current quarter \$NZD'000	Year to date (3 months) \$NZD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,923	6,923
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,639)	(3,639)
(c) advertising and marketing	(216)	(216)
(d) leased assets	(4)	(4)
(e) staff costs	(2,377)	(2,377)
(f) administration and corporate costs	(1,347)	(1,347)
1.3 Dividends received (see note 3)		
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	409	409
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(238)	(238)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	(90)	(90)
(b) businesses		
(c) property, plant and equipment	(30)	(30)
(d) investments		
(e) intellectual property	(389)	(389)
(f) other non-current assets		

For personal use only

Consolidated statement of cash flows	Current quarter \$NZD'000	Year to date (3 months) \$NZD'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(509)	(509)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	25	25
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(36)	(36)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(1,204)	(1,204)
3.7 Transaction costs related to loans and borrowings	(16)	(16)
3.8 Dividends paid		
3.9 Lease payments	(196)	(196)
3.10 Net cash from / (used in) financing activities	(1,427)	(1,427)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	11,228	11,228
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(238)	(238)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(509)	(509)

Consolidated statement of cash flows		Current quarter \$NZD'000	Year to date (3 months) \$NZD'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,427)	(1,427)
4.5	Effect of movement in exchange rates on cash held	(316)	(316)
4.6	Cash and cash equivalents at end of period	8,738	8,738

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$NZD'000	Previous quarter \$NZD'000
5.1	Bank balances	5,188	7,716
5.2	Call deposits	3,550	3,550
5.3	Bank overdrafts	-	(38)
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,738	11,228

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$NZD'000
75
5

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

For personal use only

7. Financing facilities <i>Note: the term 'facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$NZD'000	Amount drawn at quarter end \$NZD'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** N/A

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$NZD'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(238)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,738
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,738
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	36.7

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

For personal use only

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ..30 July 2020.....

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For personal use only