



# Straker Translations Investor Briefing

Half year results to  
30 September 2018





# Disclosure Statement

This presentation is given on behalf of Straker Translations Limited ASX:STG (Company number NZ: 1008867 / AU: ARBN 628 707 399)

## Information in this presentation:

- Is for general information purposes only, and is not an offer or invitation for purchase, or recommendation of securities in Straker Translations Limited (Straker)
- Should be read in conjunction with, and is subject to, Straker's latest and prior interim and annual reports, including Straker's interim report for the period ended 30 September 2018, and Straker's market releases on the ASX
- Includes forward-looking statements about Straker and the environment in which Straker operates, which are subject to uncertainties and contingencies outside of Straker's control - Straker's actual results or performance may differ materially from these statements
- Includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance
- May contain information from third parties believed to be reliable; however, no representations or warranties are made as to the accuracy or completeness of such information, and

Includes Non-IFRS measures as we believe they provide useful information for readers to assist in understanding Straker's financial performance. Non-IFRS financial measures do not have a standardised meaning and should not be viewed in isolation or considered as substitutes for the measures reported in accordance with NZ IFRS. These measures have not been independently audited or reviewed.

Pro forma information has been extracted from the company's prospectus. In presenting the pro forma historical income statement information, certain adjustments to the audited statutory income statements have been made. These include the impact the acquisition of MSS and Eule and incremental costs of operating as a publicly listed company

All information in this presentation is current at 30 September 2018, unless otherwise stated.

All currency amounts are in NZ dollars, unless otherwise stated.

Agenda

Business  
update



**Grant Straker**  
CEO



Financial  
update

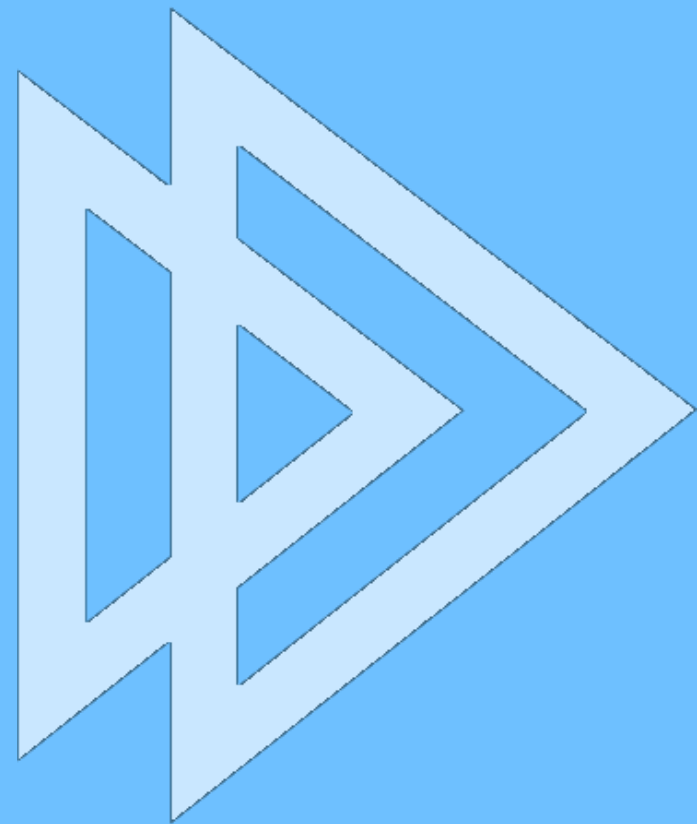


**Haydn Marks**  
CFO



Outlook

Q&A





# Business Update

# Grant Straker

## CEO





**Outstanding  
performance  
across all KPIs**



**YoY Revenue Growth**

**+39%**

**Adjusted EBITDA**

**\$110k**

NPBT (\$243k)

**Pro forma Revenues**

**\$13.4m**

\$12m Reported Revenue

**Gross Margins**

**55.3%**

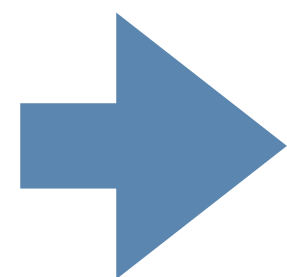
**Operating Expenses**

**54%** of revenue

**Repeat Revenue Growth**

**42%**

# Key Business Points from the H1 Result



Major achievement of listing on the ASX on the 22nd October 2018

## 1 PROFITABILITY

We are seeing clear benefits from the operating leverage produced by our technology as we continue to deliver on our profitability forecasts.

## 2 IPO

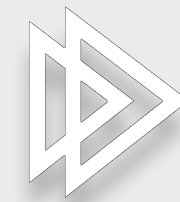
The IPO was a significant work stream for the team and the company is now in a position to focus solely on pursuing its growth strategy from a position of strength.

## 3 REPEAT REVENUE

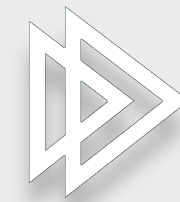
Organic and repeat revenue is growing in line with expectations. Our global infrastructure is enabling us to grow our international customer contracts and secure new business opportunities in lucrative markets like Europe.

# Organic Growth

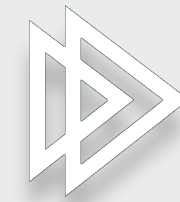
We have a laser focus on new business generation



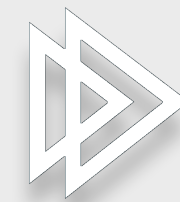
Success at growing existing customer accounts at an enterprise level



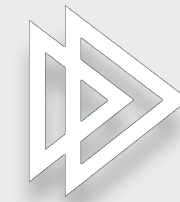
New opportunities with large global tech companies for automation of the translation process



Customers requirements becoming more complex, aligning with our technology solutions



US Government contracts in unique vertical driving revenue in North America



Settled global sales team and structures



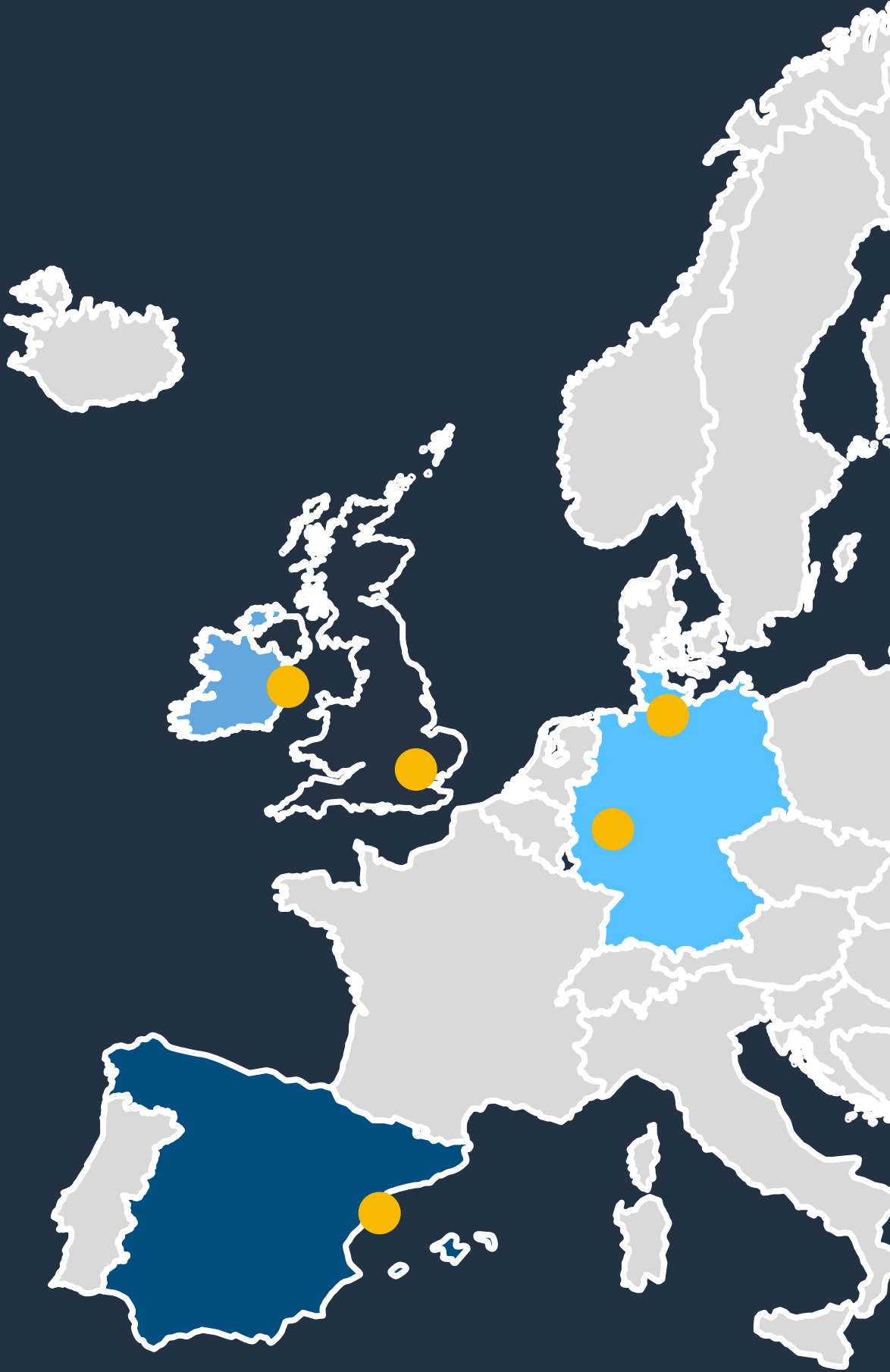
# ACQUISITIONS

During H1 2019 we completed two acquisitions and both have performed in line with expectations, and generated new organic growth opportunities.

MSS Spain	Eule Germany
	
22 Staff	21 Staff
Barcelona	Kiel and Cologne
NZ\$3.25m Revenue*	NZ\$3.14m Revenue*
Has opened new opportunity with one of the largest customers	Discussion underway to grow largest customer revenue through our technology offering
Integration underway and office consolidation with Straker office in Barcelona completed	Integration underway with a team from NZ in Europe

*\*Pro-forma March 2018 revenues*

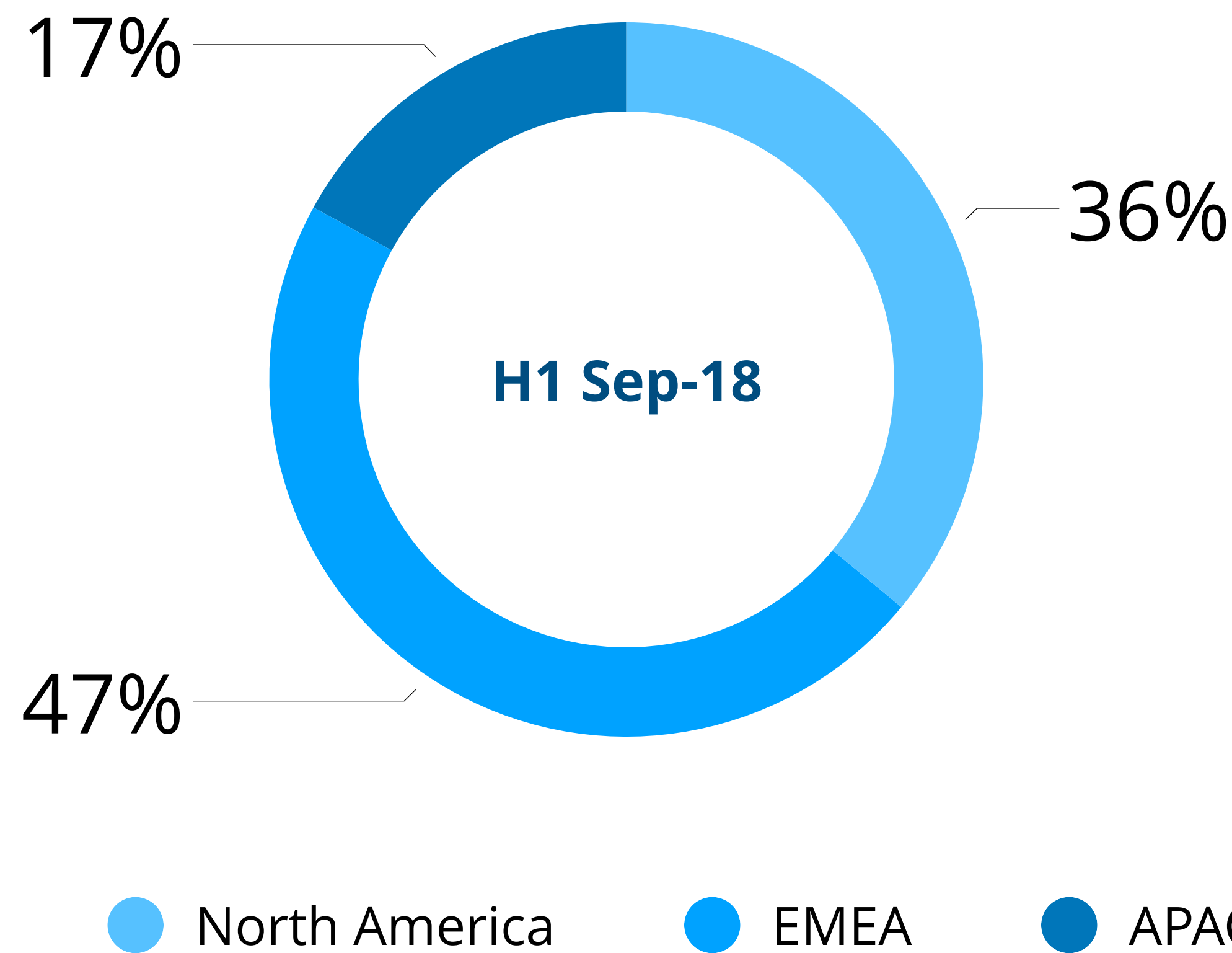
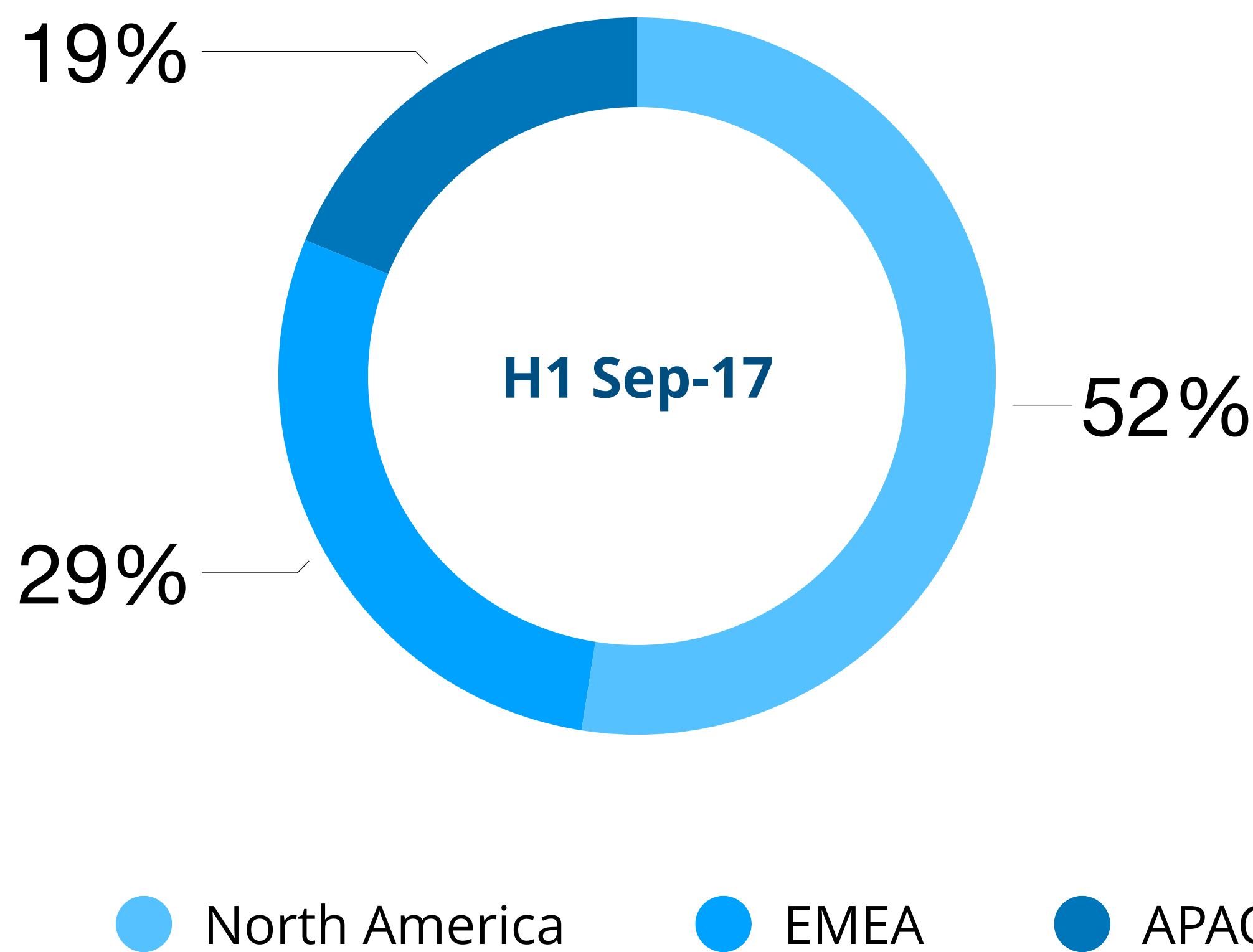
## Straker European Offices





# Total revenue breakdown by geography (Reported)

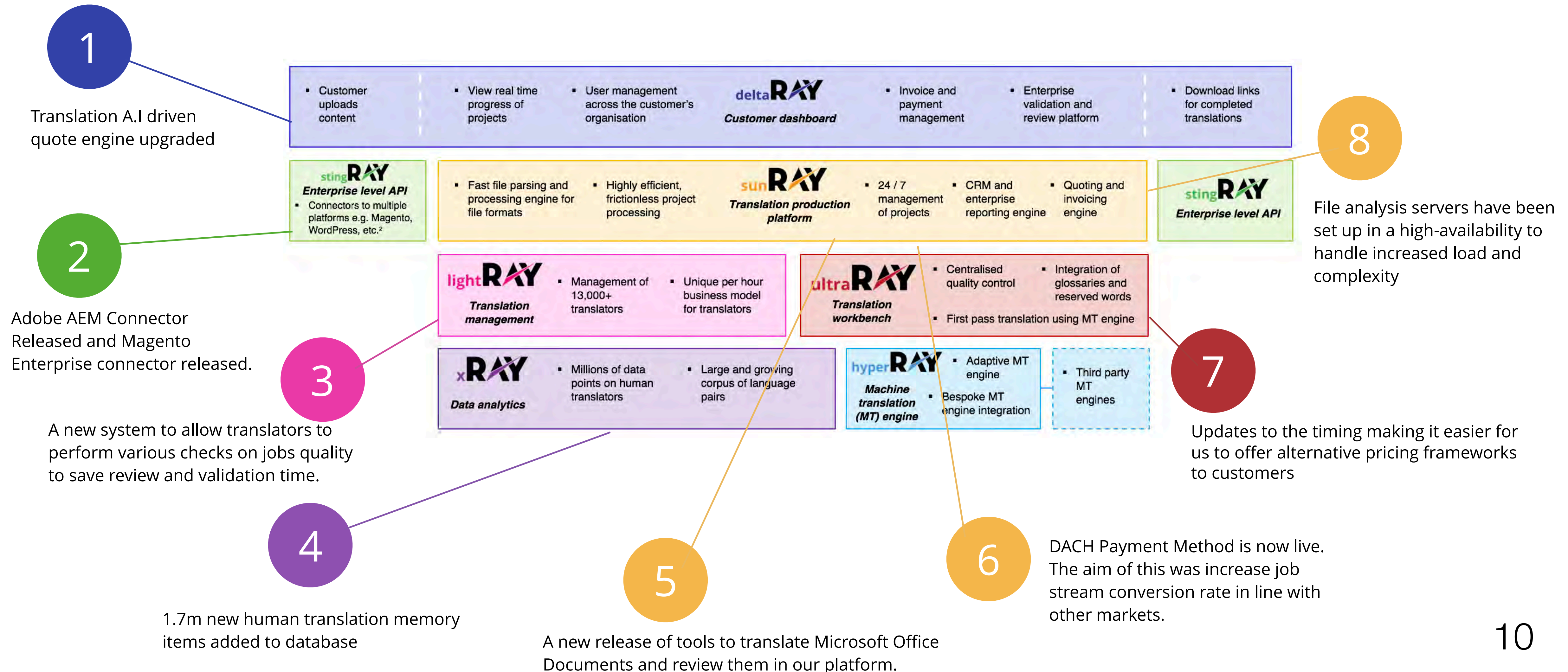
Europe (largest global translation market) now our largest market as we penetrate deeper in region





# Investment into our RAY platform

During H119 we made significant investments into our RAY translation platform





# Our Business

What we do and how  
we commercialise our  
innovation



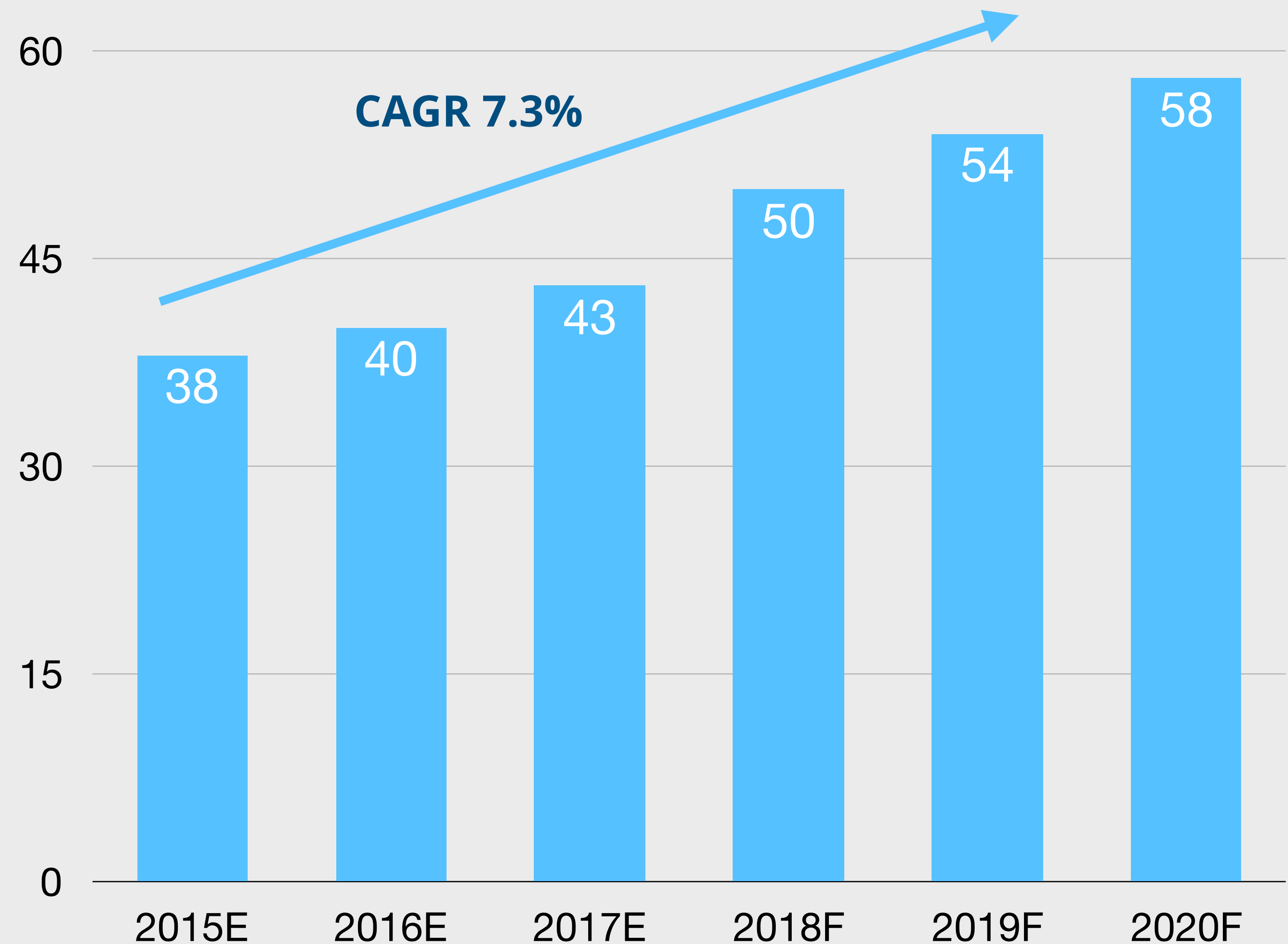
MAX  
German, French and  
English Freelance  
Translator  
St. Johann, Germany



## The Market

We operate in the US  
\$50bn and growing  
global translation  
industry

Language services market size, global, 2015 to 2020

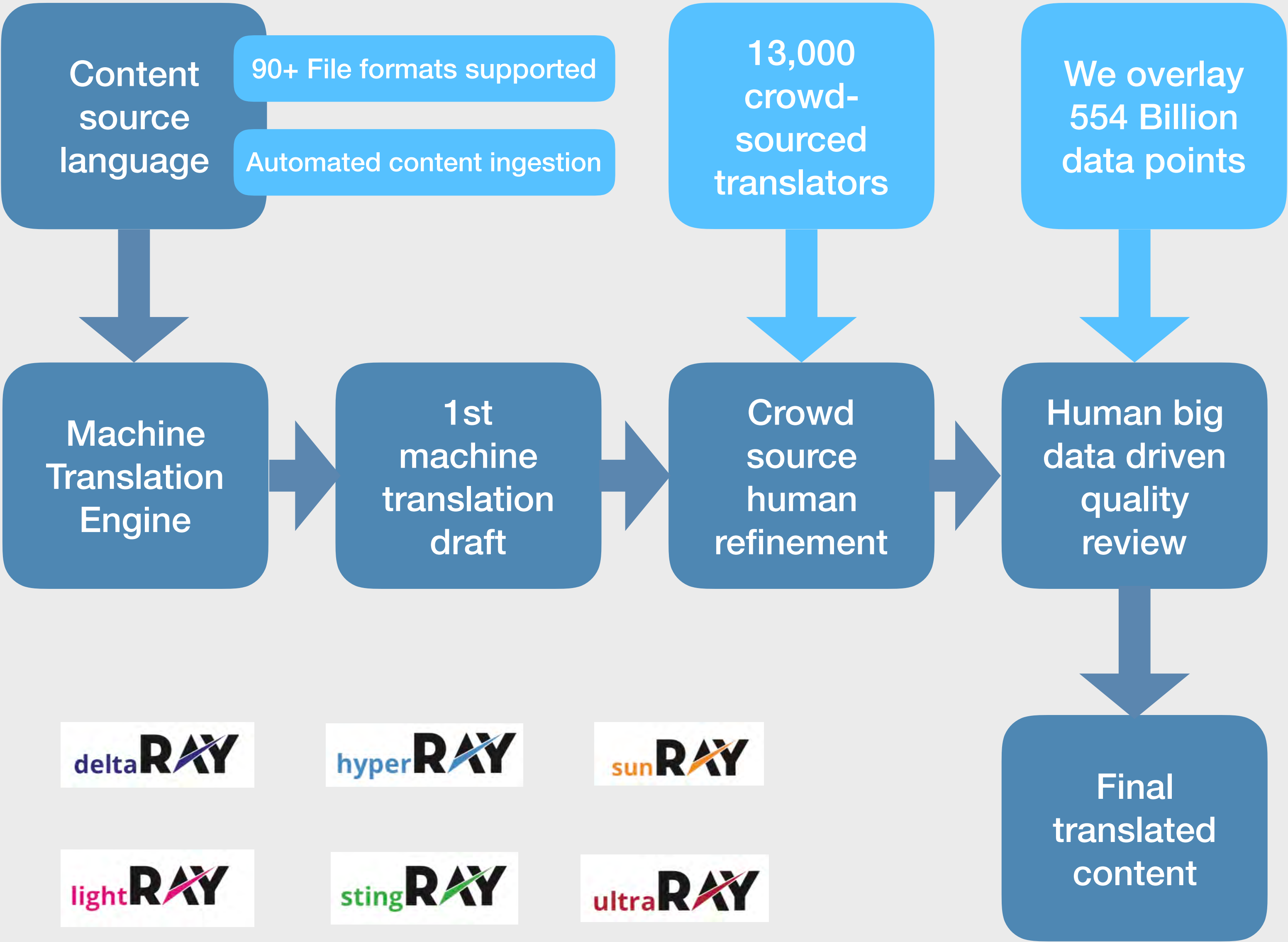


Source: 1. Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker



# Hybrid Translation Model

Over many years we have developed a hybrid translation platform that utilises advances in machine translation combined with the variable cost base of professional human translators



Straker proprietary RAY platform is used for the process



# Commercialising our innovation

How we have grown quickly  
and commercialised our  
innovation through hybrid  
translations

1

We leverage advances in machine learning to produce industry-high gross margins

3

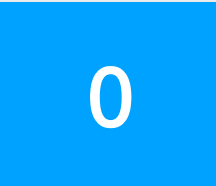
Our technology helps to increase translator speed, so we gain operating leverage over time

2

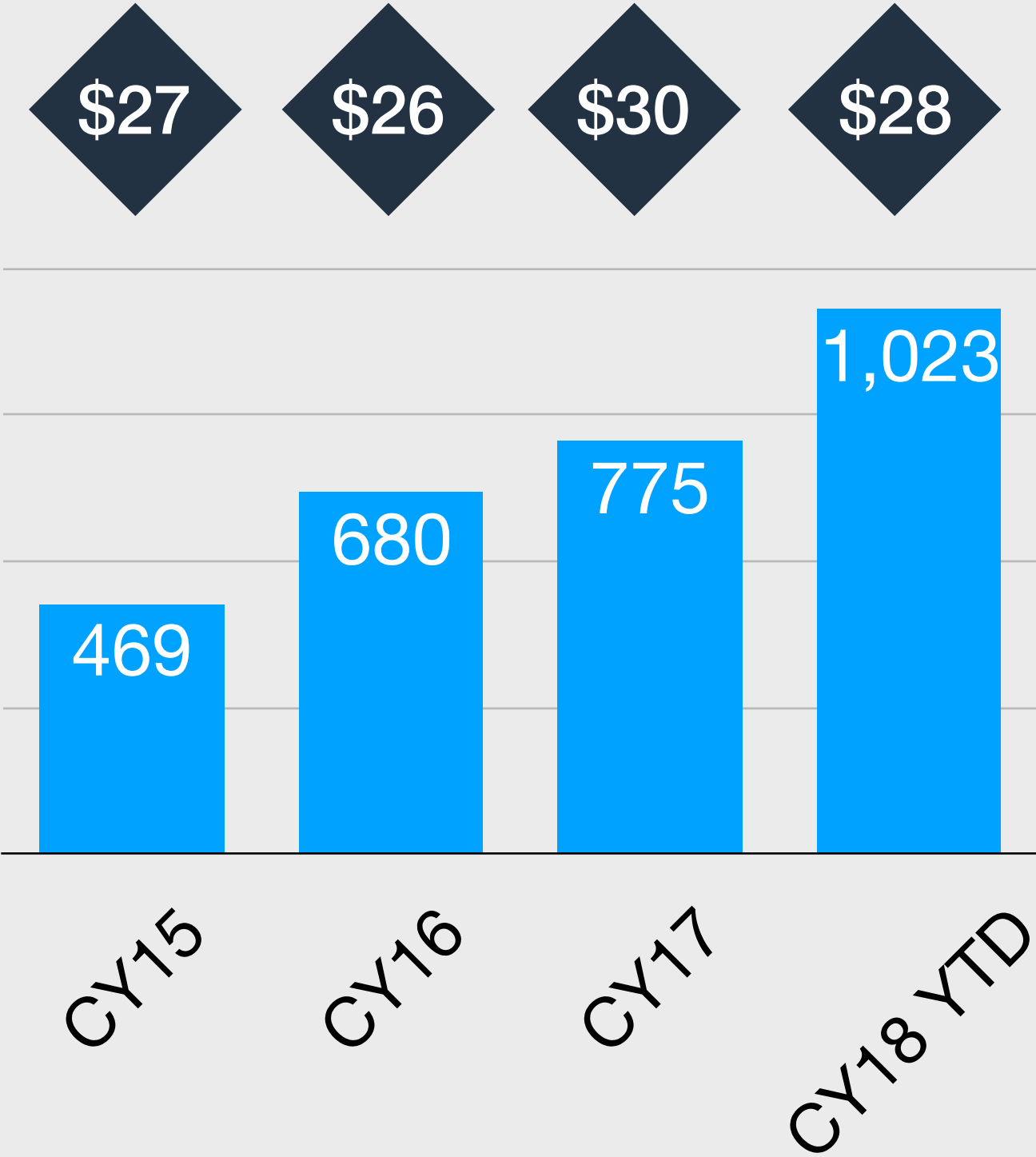
We utilise our proprietary and unique platform to track and pay translators by the hour, rather than by the word



Avg hourly rate



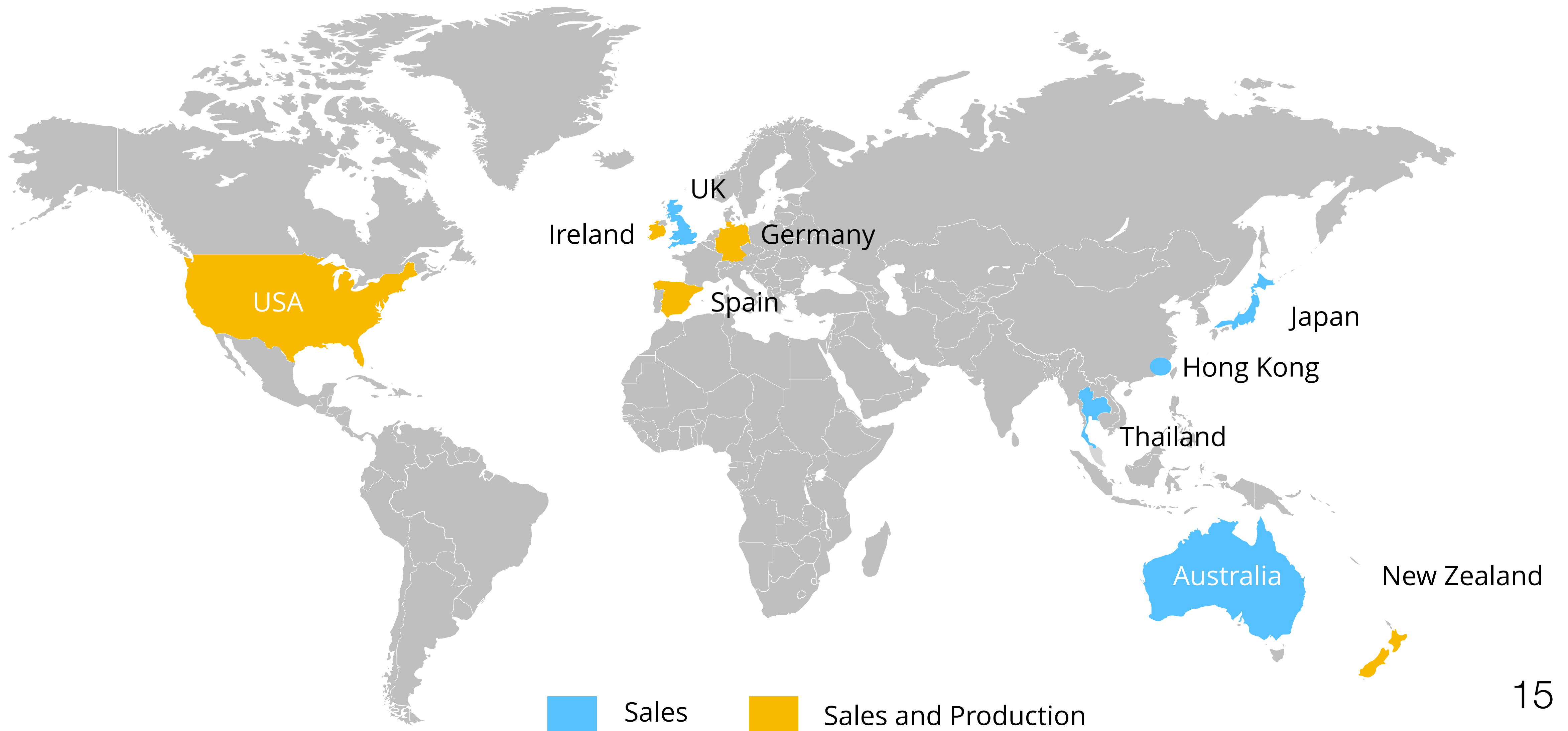
Avg Translator words per Hour English - French



English - French Translator Speed



# 122 Full Time Employees in 10 Offices





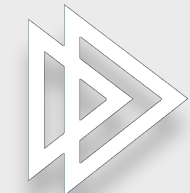
Financial  
Results

Haydn Marks  
CFO

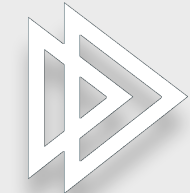




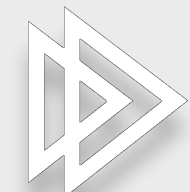
## **Financial KPIs and Highlights H1-19**



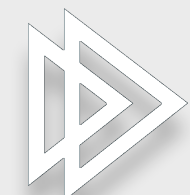
Pro-forma revenues of \$13.4m and on track to deliver prospectus forecast



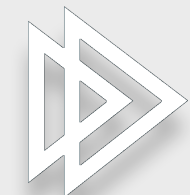
Pro-forma adjusted EBITDA loss of (\$132k)



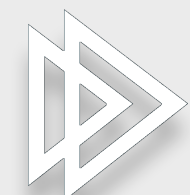
Revenue growth of 39% YoY



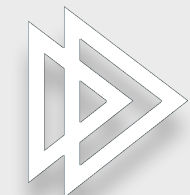
Reported YoY repeat revenue growth of 42%, driven by both strong organic growth and acquisition revenues



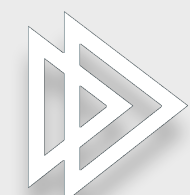
Reported gross margin strong at 55.3% and up on the previous period's margin of 54%



Reported adjusted EBITDA profit of \$110k, significantly up on the previous period's loss of (\$786k)



DSOs expand to 75 days versus 60 days the previous year due to increased business activity with enterprise customers



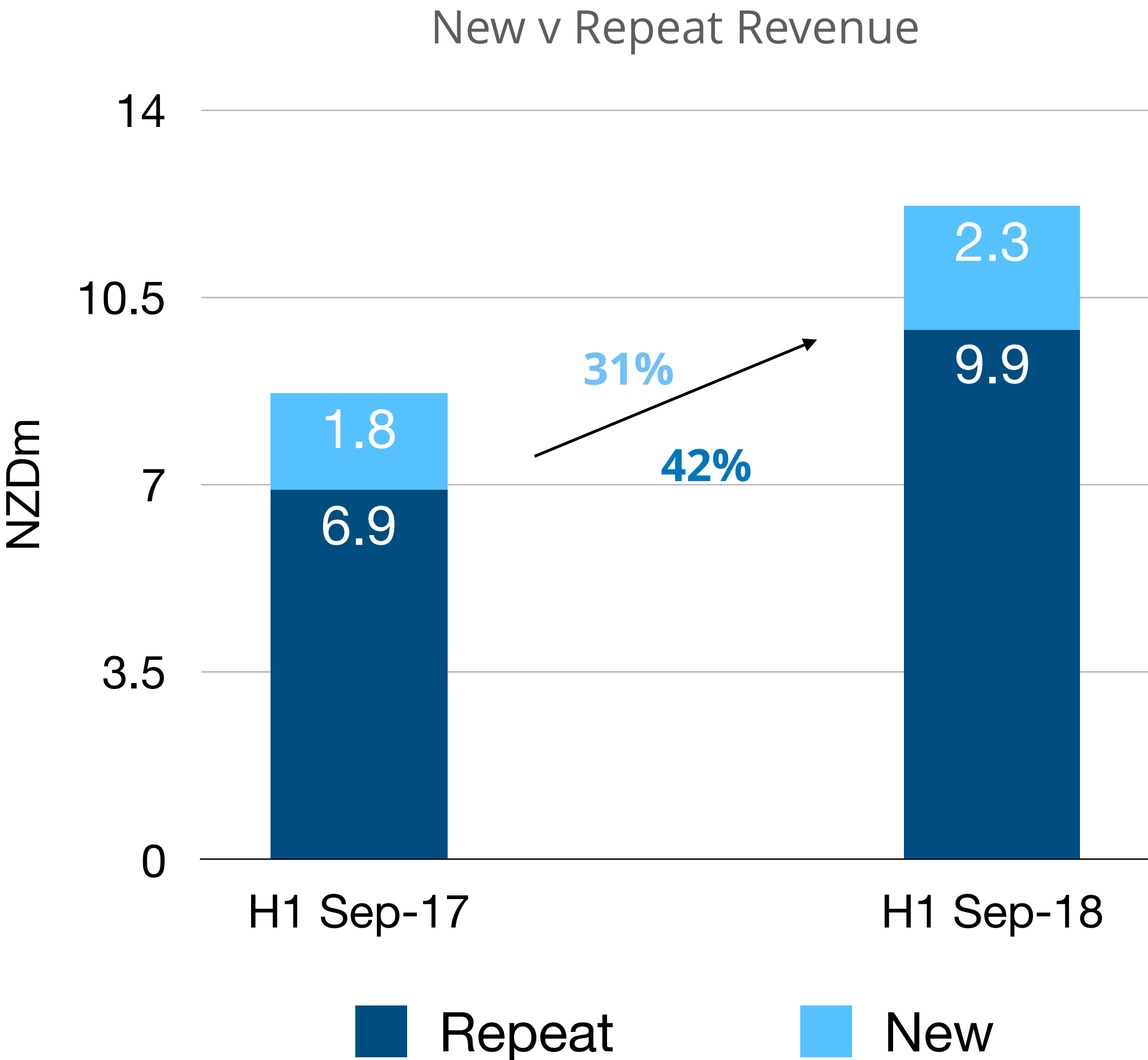
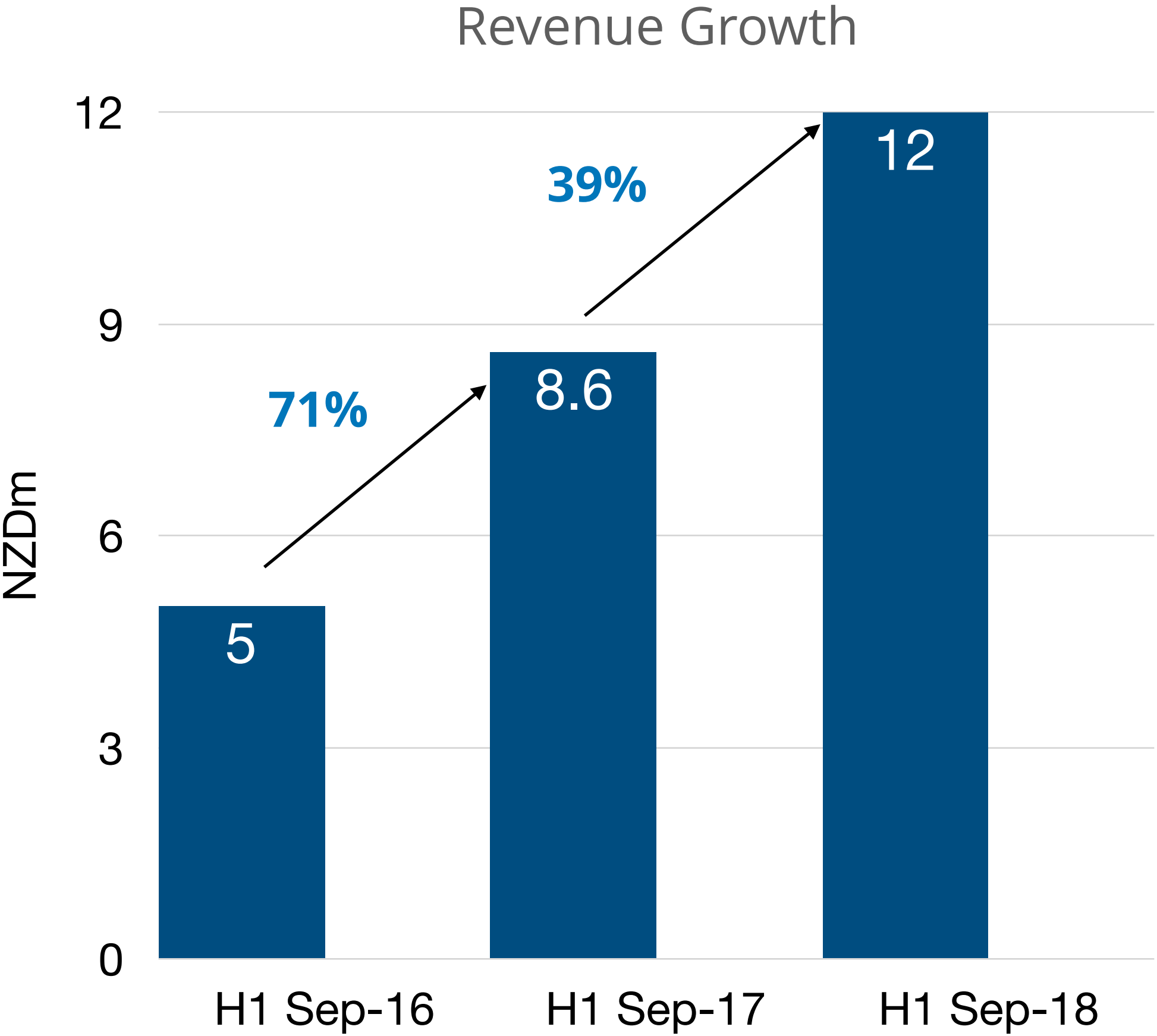
Operating cashflows up 10% YoY to (\$0.96m)



# Statutory Results



# Revenue growth (Reported)



Reported repeat revenue growth of 42%



# Non-IFRS Operating Income H1-19 (Reported)

- ▶ Revenue Growth of 39% YoY, to \$12m
- ▶ Gross margin of 55.3% expands by 130 bps
- ▶ **Operating expenses up 20% YoY and make up 54% of revenue v 63% prior year, demonstrating real leverage from our technology** →
- ▶ Adjusted EBITDA profit of \$110k, up 813% on the previous period's loss of (\$786k)

NZDm	H1-19	H1-18	YoY
Translation Revenue	12.00	8.61	39% ↑
CoS	(5.37)	(3.96)	
Gross Margin	6.63	4.65	42% ↑
Gross Margin %	55.3%	54%	130 bps ↑
Operating Costs	(6.52)	(5.44)	20%
Other Income / Costs	0.00	-	-
Adjusted EBITDA	0.11	(0.79)	813% ↑
Margin %	1%	(9%)	1,000 bps ↑

Very strong growth across the board



# Reconciliation to IFRS Income Statement H1-19 (Reported)

▶ Net loss before tax of (\$0.24m), up on previous year of (\$1.13m)

▶ Spent slightly more on acquisitions transaction costs than planned (\$0.4m v \$0.3m)

▶ Finance income of \$0.55m includes un-realised FX gains of \$0.425m and a \$125k gain on fair value adjustment of deferred consideration liability

▶ EPS improves to (9c) per share from (45c)

NZDm	H1-19	H1-18	YoY
<b>Adjusted EBITDA</b>	0.11	(0.79)	813% ↑
<b>Acquisition costs</b>	(0.41)	(0.01)	
<b>Non-operating costs</b>	(0.07)	(0.07)	
<b>EBITDA</b>	(0.37)	(0.87)	235% ↑
<b>D&amp;A</b>	(0.21)	(0.14)	
<b>Amortisation Acq Int.</b>	(0.21)	(0.19)	
<b>EBIT</b>	(0.79)	(1.19)	151% ↑
<b>Net finance income</b>	0.55	0.06	
<b>Profit before tax</b>	(0.24)	(1.13)	466% ↑
<b>EPS</b>	(0.09)	(0.45)	500% ↑

**Very strong growth in profit/(loss) and EPS**

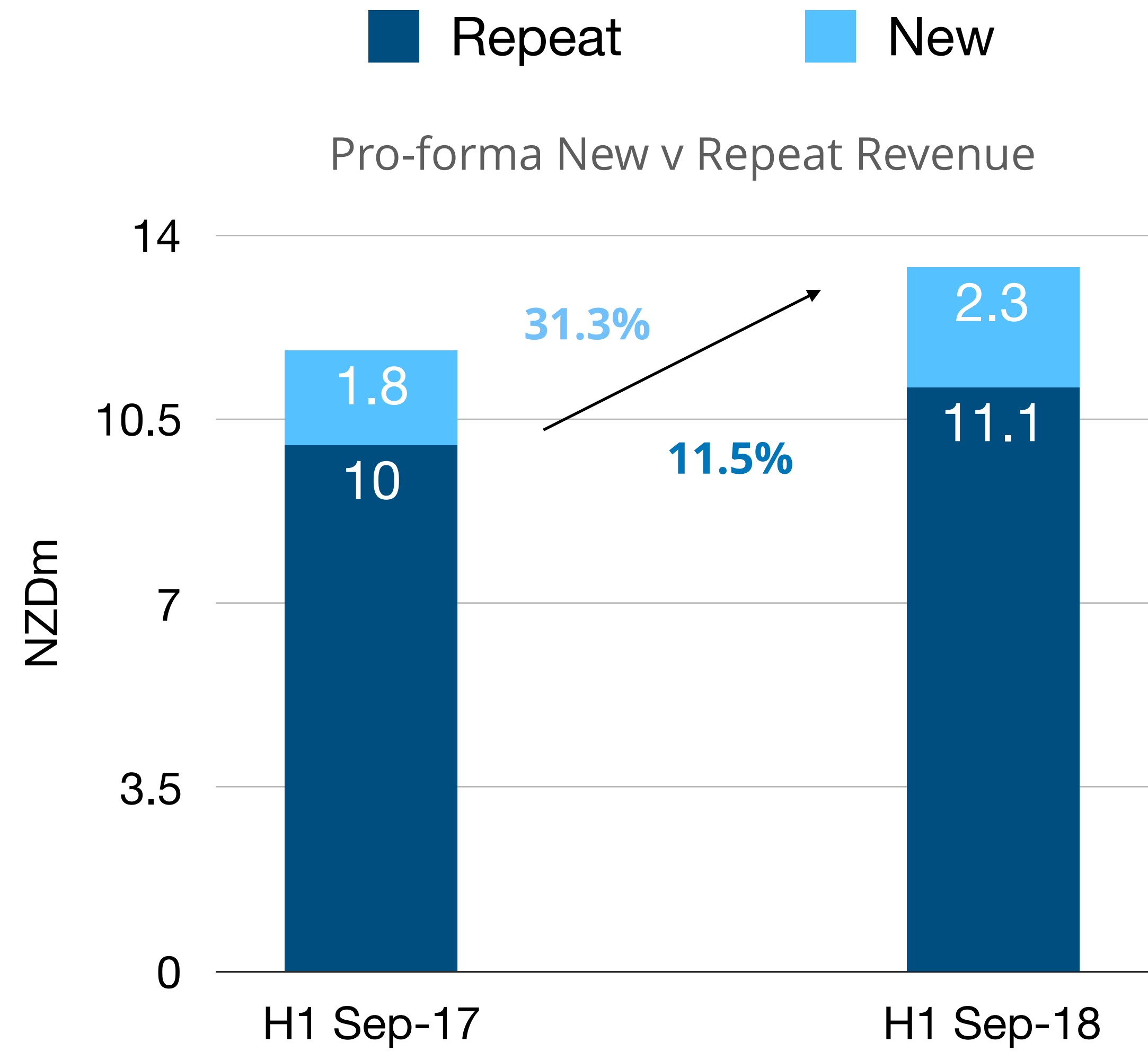
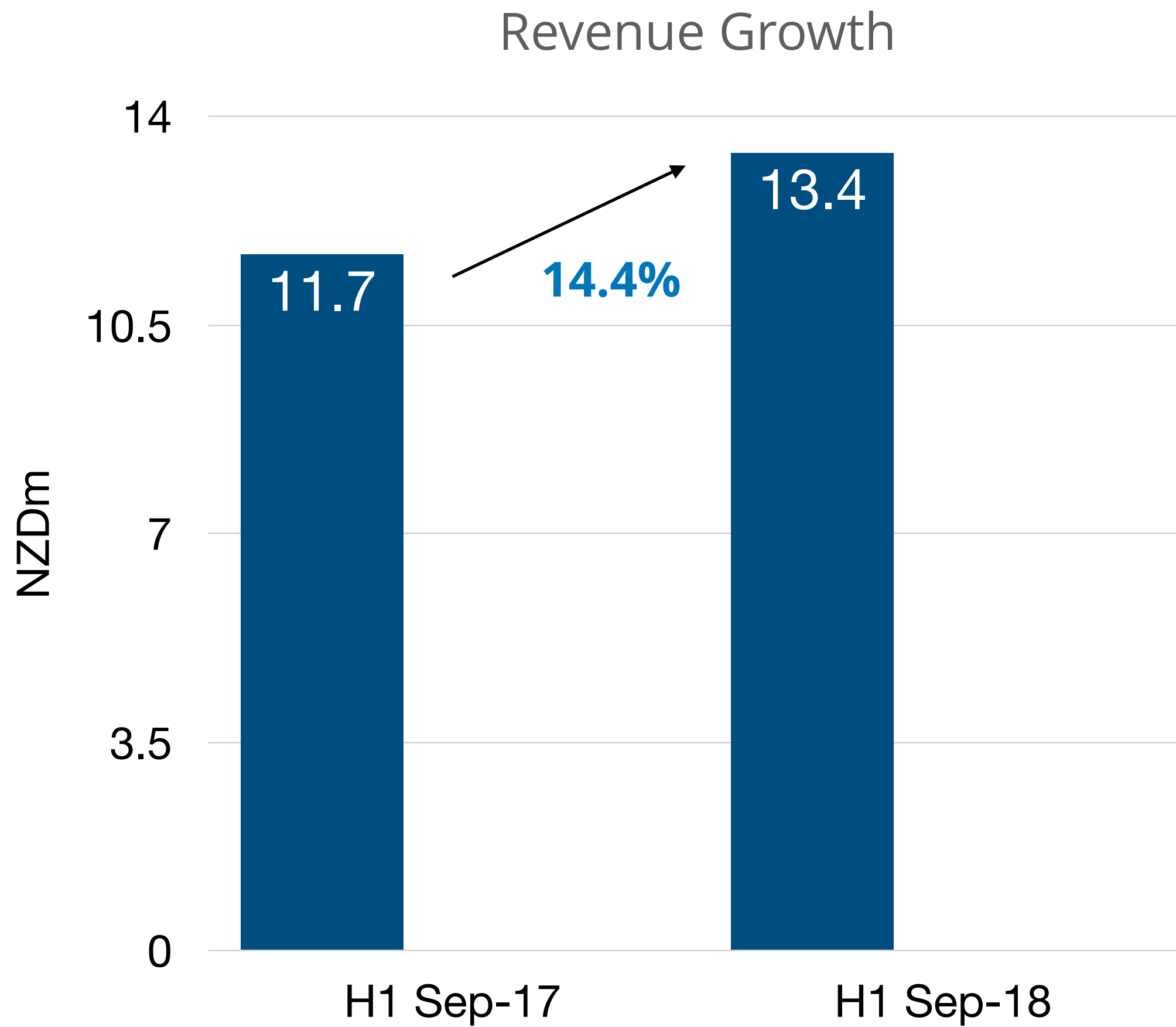


# Pro-forma Results



# Revenue growth (Pro-forma)

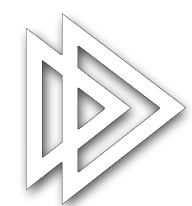
YoY Pro-forma revenue growth of 14.4%



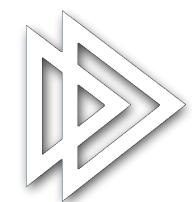


# Non-IFRS Operating Income H1-19 (Pro- forma)

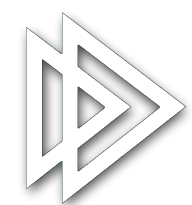
**On track to achieve full  
year prospectus forecast**



Pro-forma revenues of \$13.4m  
v \$24.9m full year Prospectus  
Forecast



Pro-forma margin of 55%



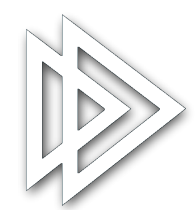
Pro-forma Adjusted EBITDA  
loss of (\$0.13m)

NZDm	H1-19 PF	FY-19 PF Prospectus
<b>Translation Revenue</b>	<b>13.40</b>	<b>24.90</b>
<b>CoS</b>	<b>(6.03)</b>	<b>(10.94)</b>
<b>Gross Margin</b>	<b>7.37</b>	<b>13.96</b>
<b>Gross Margin %</b>	<b>55%</b>	<b>56%</b>
<b>Operating Costs</b>	<b>(7.48)</b>	<b>(14.47)</b>
<b>Other Income / Costs</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Adjusted EBITDA</b>	<b>(0.13)</b>	<b>(0.53)</b>
<b>Margin %</b>	<b>(1%)</b>	<b>(2%)</b>

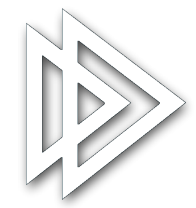


# Cash Flow and Balance Sheet

## Cashflow H1-19 (Reported)



Operating outflows  
reduced by 10%

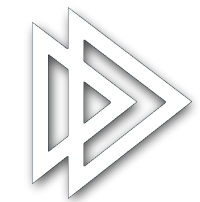


Operating outflow higher  
than expected due to  
higher than planned  
business activity in the past  
quarter

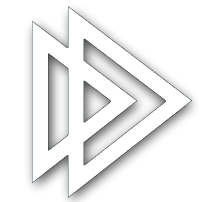
NZDm	H1-19	H1-18	YoY
Receipts from Customers	10.82	8.09	33%
Interest Received	(0.03)		
Payments to Suppliers	(11.81)	(9.16)	
Net Cashflows from operating activities	(0.96)	(1.06)	10%
Net Cashflow from Investing activities	(2.83)	(0.39)	
Net Cashflow from financing activities	(0.48)	(0.48)	
Net Cashflow	(4.27)	(1.93)	
Closing Bank	3.6	1.6	



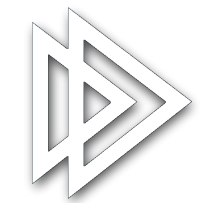
# Summary Balance Sheet



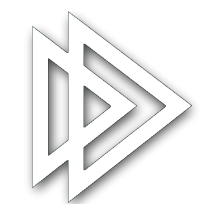
Other current assets include deferred IPO costs



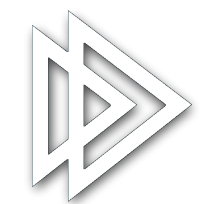
Non Current Asset movement include acquired intangibles of recent acquisitions executed in June and July



Deferred consideration liability movements relate to recent acquisitions executed in June and July



Proforma Cash balance of \$20.5m as at 30 Sep-18



Cash, trade receivables and payables movements include the impact from acquisitions

NZDm	Sep-18	Mar-18
Cash	3.6	7.8
Trade Receivables	4.9	2.0
Other Current Assets	2.2	1.2
<b>Total Current Assets</b>	<b>10.7</b>	<b>11.0</b>
Non current Assets	9.2	5.2
Trade payables	1.2	0.5
Other Current Liabilities	3.2	2.0
Deferred Consideration	2.1	0.8
<b>Total Current Liabilities</b>	<b>6.5</b>	<b>3.3</b>
Deferred Tax	0.4	0.4
Deferred Consideration	1.4	0.5
<b>Total non Current Liabilities</b>	<b>1.8</b>	<b>0.9</b>
<b>Equity</b>	<b>11.6</b>	<b>12.0</b>



# Outlook



ADELAIDA

Spanish & Catalan  
Freelance Translator

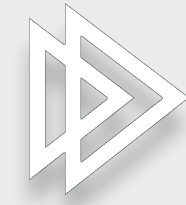
Palma, Spain

Bachelor's Degree in English  
Studies

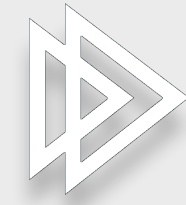


# Existing Customers

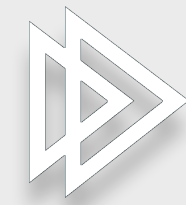
We have a strong focus on growing existing accounts.



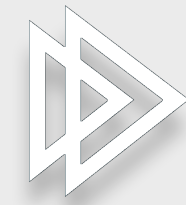
Traction for organic growth has come through winning new projects with our technology offering into existing customers, and growing into other departments or areas of a customers business.



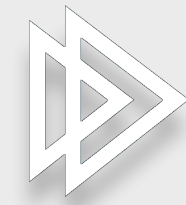
Expansion and renewal of MSA agreements



Focus on automation of translation workflows for existing customers



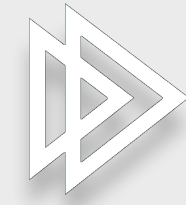
Dedicated account and project managers for larger accounts



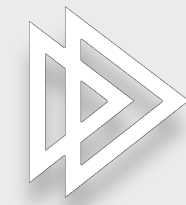
Some significant global opportunities in the pipeline with world leading tech companies generated through our technology offering in acquired companies customer base.

# New Customers

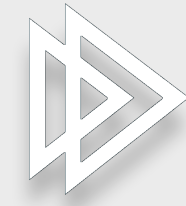
We have a laser focus on new  
business generation



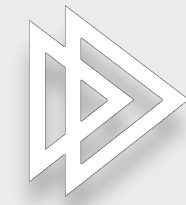
New 'technology solution' focused website to be released in Q3



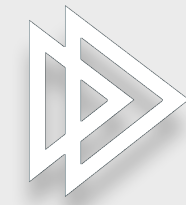
New lead generation partners are starting to get traction in North America



Deployment of adwords strategy into Japan, Germany and Spain to generate online revenue where we have acquired new offices



New connectors for eCommerce and Content Platforms released and more in development

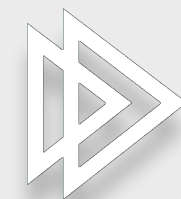


Strategies being deployed for direct entry into key vertical market in the translation industry

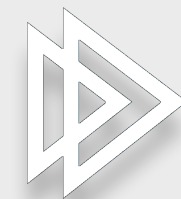


# Acquisitions

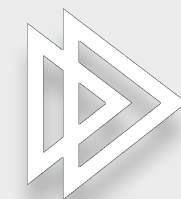
Growth by acquisition remains a key strategy and a key consideration in the use of proceeds from the IPO



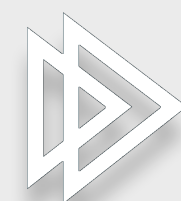
Growing and significant pipeline of potential acquisition targets



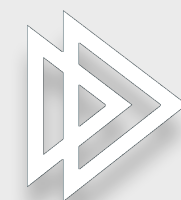
Main targets are in Western Europe and North America



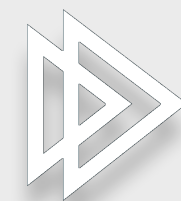
Deals are normally ~60% upfront and ~40% earn out over two years. With cash and or cash/stock used as payment



Integration of MSS and EULE going to plan with integration teams in Europe moving them to our RAY Platform

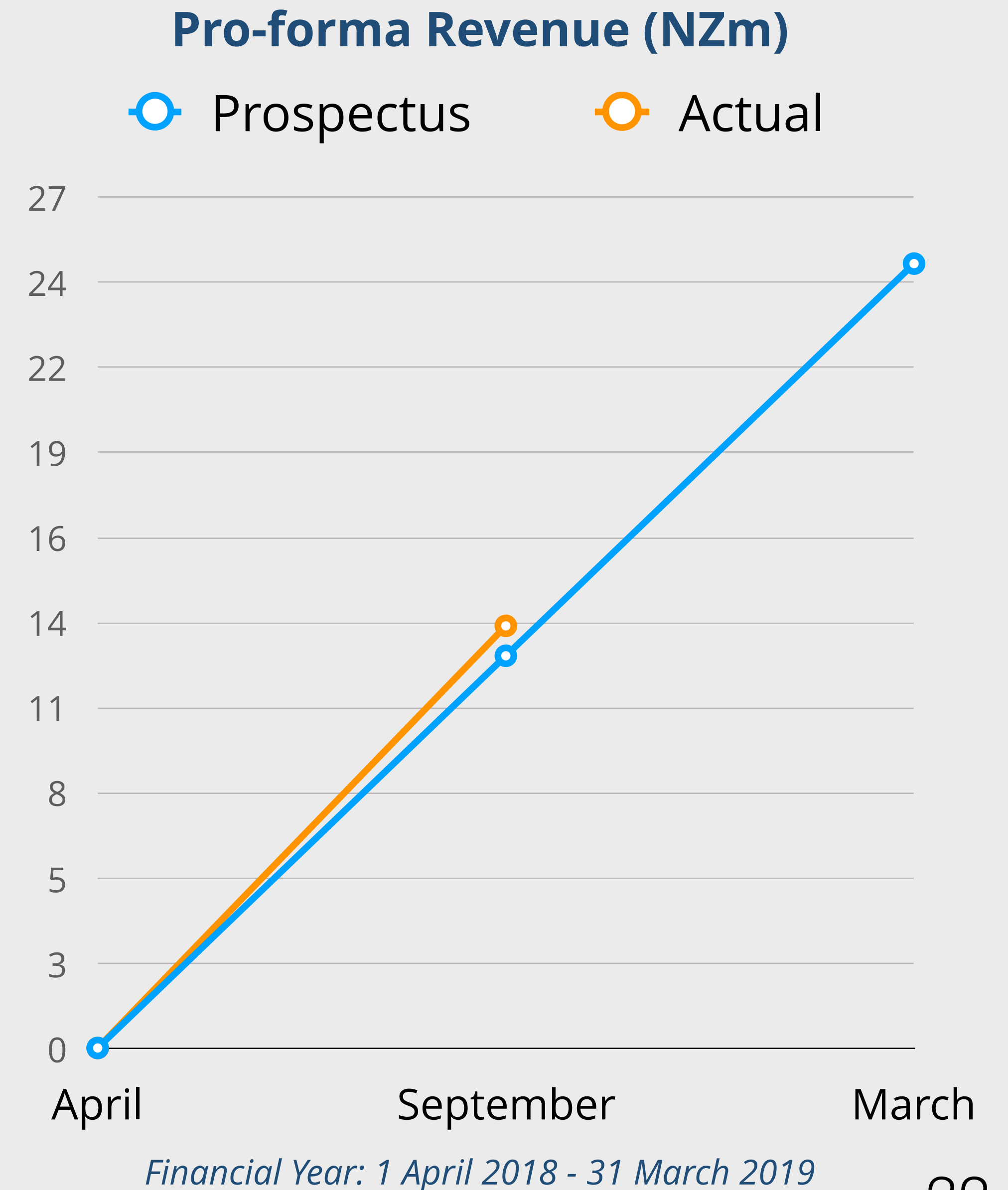


Balance sheet is very healthy and no internal bottlenecks for further acquisitions. Investment in tools for easier integration now paying off on current acquisitions



80% of the translation industry are companies with revenues below \$5m. Our focus is on templating the acquisition and integration of \$3-5m revenue companies. We will look at larger acquisitions on a case by case basis.

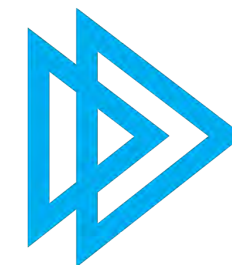
We remain on target  
to hit our prospectus  
revenue forecast





**Straker Translations**  
**ASX:STG**  
**[www.strakertranslations.com](http://www.strakertranslations.com)**

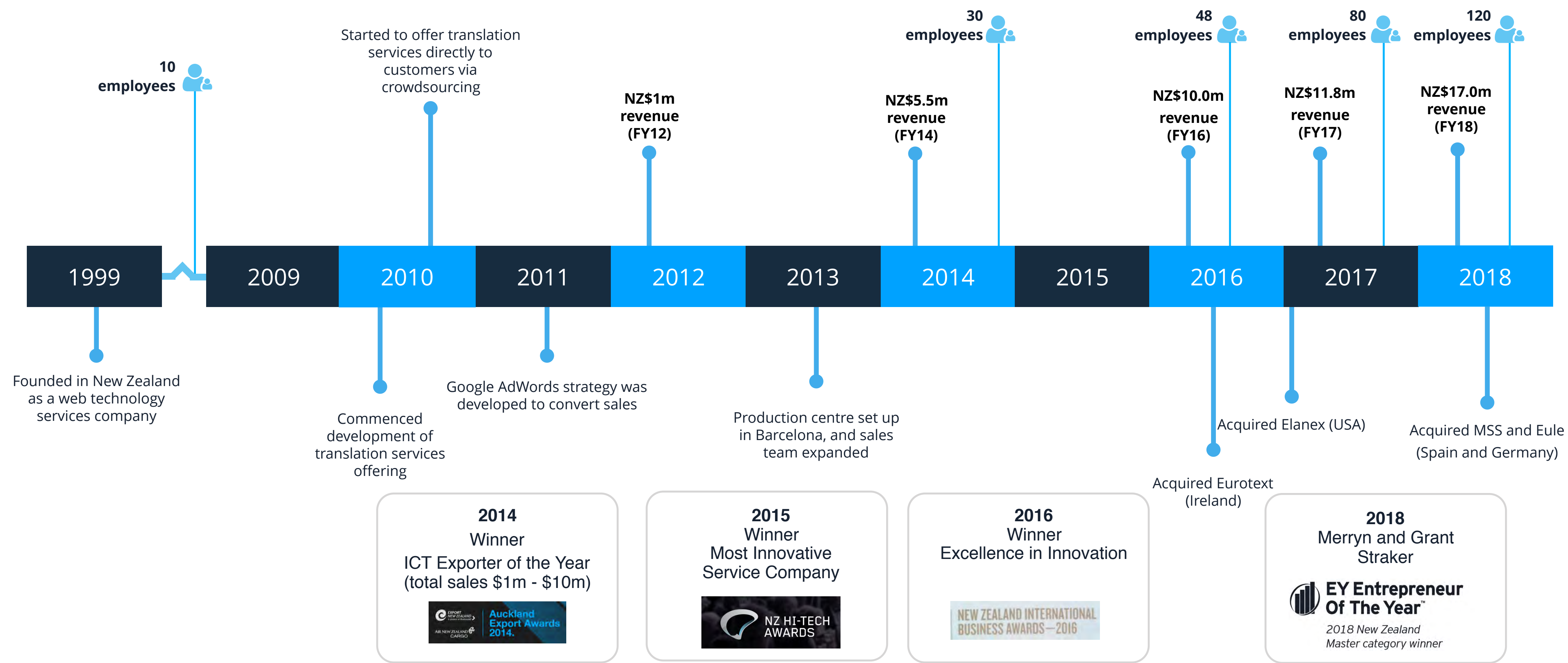
**straker**  
TRANSLATIONS



# Appendix



# Company History



# Board of Directors



**Phil Norman**  
Independent Non-Executive Chairman

► Phil was appointed the Non-Executive Chairman of Straker on 13 January 2014.

► He was the founding chairman of Xero Limited, one of New Zealand's most successful listed technology companies, and retired from Xero's Board in July 2012 after five years' service.

► Phil's other current director roles include the Independent Chairmanship of Loyalty New Zealand Limited (New Zealand's largest loyalty company and operator of Fly Buys), Chair of NZX listed Plexure Group Limited (NZX:PLX) (a marketing services software company) and Chair of AUT Ventures Limited (the commercialisation arm of AUT University).

► Phil is a past Chairman of the New Zealand Private Equity and Venture Capital Association and was for six years a member of New Zealand Trade and Enterprise's New Zealand Beachheads Advisory Board.

► Phil holds an MBA from the University of Auckland and is a Chartered Member of the New Zealand Institute of Directors.



**Grant Straker**  
Founder and Managing Director

► Prior to founding Straker in 1999, Grant served in the British Army as an elite paratrooper.

► As a co-founder of Straker, Grant has extensive experience in the language translation market.

► Grant was appointed to the board on 21 December 1999.

► Grant's wide ranging technical, sales and business skills, combined with his strong entrepreneurial drive, have placed him in an ideal position to help accelerate the growth of Straker.

► Grant is a member of the NZ Institute of Directors.

► Along with Merryn Straker, Grant was the winner of the 2018 master category for NZ Entrepreneur of the Year.



**Tim Williams**  
Independent Non-Executive Director

► Tim was appointed a Non-Executive Director of Straker on 24 June 2015.

► He founded ValueCommerce Co. Ltd in 1996.

► Tim is one of the original pioneers in the Japanese internet and advertising industry. His vision and record of achievement are demonstrated by the success and growth of ValueCommerce Co. Ltd. Tim founded ValueCommerce, an Internet affiliate marketing company, selling a 49% stake to Yahoo Japan in 2005. Subsequently in 2007, ValueCommerce was listed on the Tokyo Stock Exchange.

► Tim is also a Director of The Icehouse, The University of Auckland's technology incubator, and is a General Partner in The Icehouse linked fund Tuhua Ventures, which invests in high-growth start-ups in New Zealand.

► Tim holds a Bachelor of Science (Hons) in molecular genetics from the University of Canterbury.



**Katrina Johnson**  
Independent Non-Executive Director

► Katrina was appointed a Non-Executive Director of Straker on 3 July 2018.

► Katrina has over 15 years of specialist in-house legal experience within technology

companies, including executive leadership and board member roles.

► Katrina joined Uber in April 2015, after spending 12 years with the eBay group of companies in Australia and the United States. She now leads Uber's Legal Team for Asia Pacific and is a member of Uber's APAC Regional Leadership Team.

► Katrina is also an independent non-executive director of Trade Me Group Limited, and a member of its Audit and Risk Management Committee.

► Katrina holds a Bachelor of Arts and Bachelor of Laws (Hons) from Macquarie University, and a Graduate Diploma of Legal Practice from the College of Law, New South Wales. Katrina is a member of the Australian Institute of Company Directors.



**Steve Donovan**  
Non-Executive Director

► Steve was appointed a Non-Executive Director of Straker on 1 December 2004.

► He is a former partner of Ernst & Young. He qualified as a Chartered Accountant in the UK and has operated within the IT and finance industry in New Zealand for a number of years.

► Steve has significant experience as a director and investor in the SME sector in New Zealand, including a Finance Director role at accounting software provider, Greentree Software Group, which was sold to MYOB in 2016. Other current directorships include, Buro Seating Limited (office chair wholesaler) and New Zealand Pure Dairy Products Limited (infant formula manufacturer).

► Steve is Straker's former Chief Financial Officer and has been working with technology companies across a range of industries.

► Steve holds a Bachelor of Economics from the University of Lancaster and is a qualified Chartered Accountant and a current member of the Institute of Chartered Accountants in England and Wales.



**Paul Wilson**  
Non-Executive Director

► Paul was appointed a Non-Executive Director of Straker on 22 September 2015.

► He is a co-founder of ASX listed Bailador Technology Investments (which is a major shareholder of Straker). He has had extensive private equity investment experience as a director of CHAMP Private Equity in Sydney and New York, with MetLife in London, and as executive director at media focussed investment group, Illyria.

► Paul is a director of SiteMinder, Stackla, Yellow (NZ), the Rajasthan Royals IPL cricket franchise and ASX listed Vita Group Limited.

► Paul holds a Bachelor of Business (Banking and Finance), from Queensland University of Technology and is a Fellow of the Financial Services Institute of Australia, a Member of the Institute of Chartered Accountants of Australia and a Member of the Australian Institute of Company Directors.



# Executive Team



**Grant Straker**  
Founder and Managing Director

As per above



**David Sowerby**  
Chief Revenue Officer

▶ David was appointed Chief Revenue Officer in 2008 and is based in Ireland.

▶ He was an early investor in Straker and has supported the growth of the business globally since the foundation of the Company as a translation provider.

▶ David is responsible for global revenue including building out the team that engages with customers, lifting the brand profile of the Company across active markets and ensuring newly acquired staff are retained.

▶ David has an MBA from Trinity College, Dublin.



**Haydn Marks**  
Chief Financial Officer

▶ Haydn was appointed Chief Financial Officer in October 2016.

▶ With more than 18 years' financial management experience, Haydn has worked in and around the technology sector, in London, for global companies such as Temenos (software), Credit Suisse and Visa Europe, as well as PKF (advisory) in NZ.

▶ He has a keen interest in all commercial aspects of the business, including pricing and contract negotiations, is involved in planning, board reporting, capital raising, cash management and compliance.

▶ He is a member of the Institute of Chartered Accountants Australia and New Zealand and holds a Bachelor of Business from Massey University.



**Indy Nagpal**  
Chief Technology Officer

▶ Indy was appointed Chief Technology Officer in 2005.

▶ He has over two decades of experience in the information technology industry, during which he has consulted and worked for a range of companies across the globe.

▶ At Straker, he is responsible for architecting and maintaining a reliable, scalable and secure platform. This includes building a robust team, web application development, database management, data analytics, hardware, network and security systems.

▶ He has a Masters' degree in Applied Psychology and a Post Graduate Diploma in Internet Management.



**Merryn Straker**  
Chief Operating Officer

▶ Merryn was appointed Chief Operating Officer in 2000.

▶ She was a co-founder of Straker.

▶ Prior to co-founding Straker, Merryn worked as a marketing executive in the pharmaceutical industry.

▶ She is a board member of the Cerebral Palsy Society of New Zealand with NZ\$28 million worth of assets and a board member of Te Tiro Toi Whakangaio, a NZ Government backed Maori Technology business initiative.

▶ Merryn has a Bachelor of Management Studies (majoring in management and HR) from Waikato University.



**Kim Andrews**  
Chief People Officer

▶ Kim was appointed Chief People Officer in 2013.

▶ Prior to joining Straker, Kim worked in the telecommunications industry for 16 years

and has a strong background in leadership, HR and credit management.

▶ Kim was in the HR Leadership team at Vodafone prior to joining Straker.