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ASX ANNOUNCEMENT – For Immediate Release

29 May 2020

FY20 Full Year Results Presentation

Please find attached the Straker Translations Limited (ASX: STG) FY20 full year results presentation material.

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

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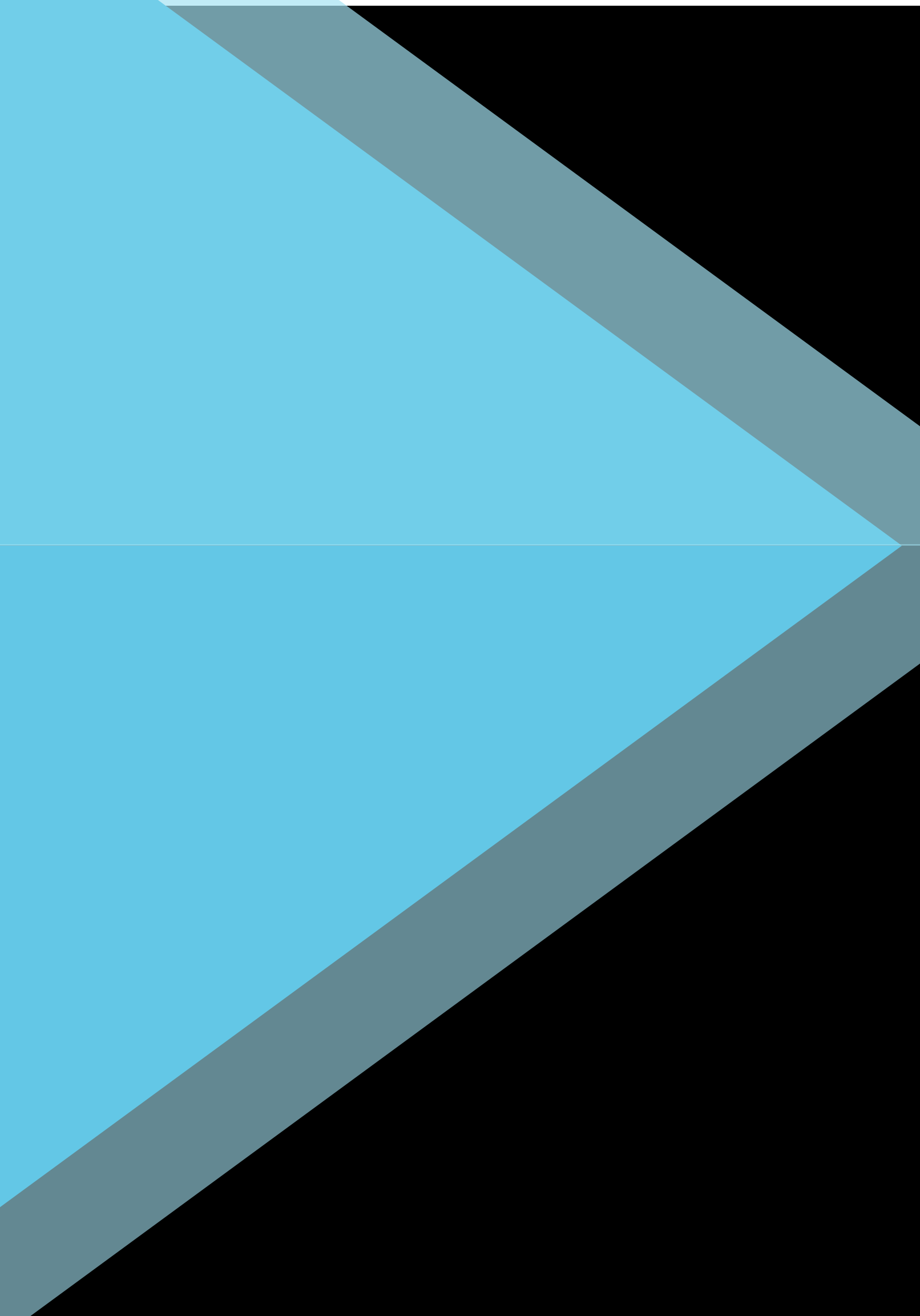
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FY20 Full Year Results

29th May 2020

ASX:STG
straker
TRANSLATIONS



Building the future of global communication using
machines and humans together

BUSINESS UPDATE

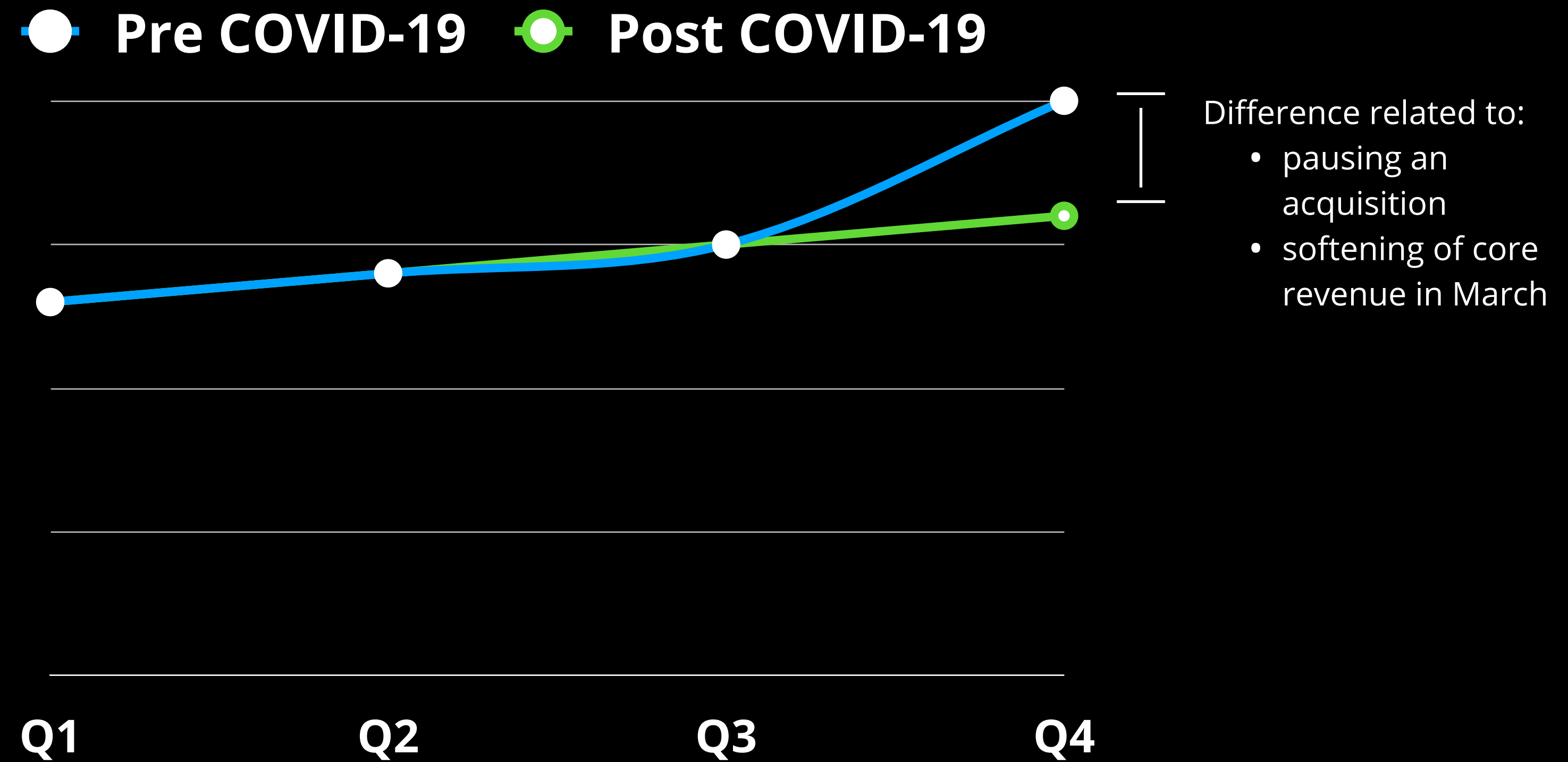
Grant Straker
Chief Executive Officer



ASX:STG
straker
TRANSLATIONS



On track for ~\$40m* run rate prior to COVID-19



Successfully acquiring and integrating strategic acquisitions





MEDIA

\$97bn

Combined theatrical and home entertainment markets worldwide was nearly USD 97bn in 2018.

Grew Straker Media Revenue by 55%

Driven by new relationships with production houses and expanded relationships with enterprise customers

Launched our RAY Media Platform 1.0

Worked on a number of the world's leading box office hits in 2019

超级物种的回归

FY20 Financial Performance

Strong Financial Position

55.2%

Translation
Gross Margins

\$27.7m

Group Revenue

(\$0.58m)

Pro-forma
adjusted
EBITDA

55%

Media Revenue
Growth

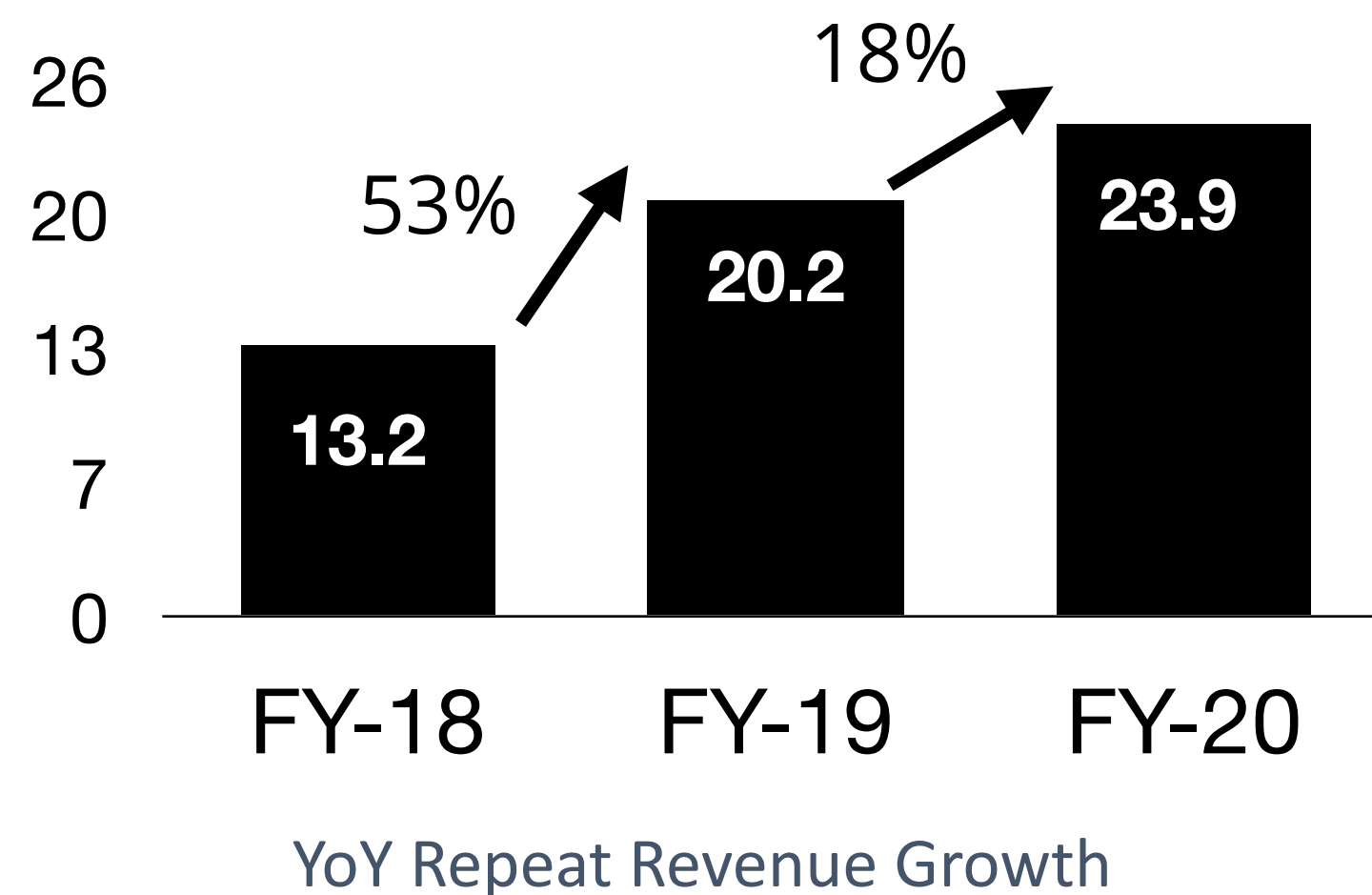
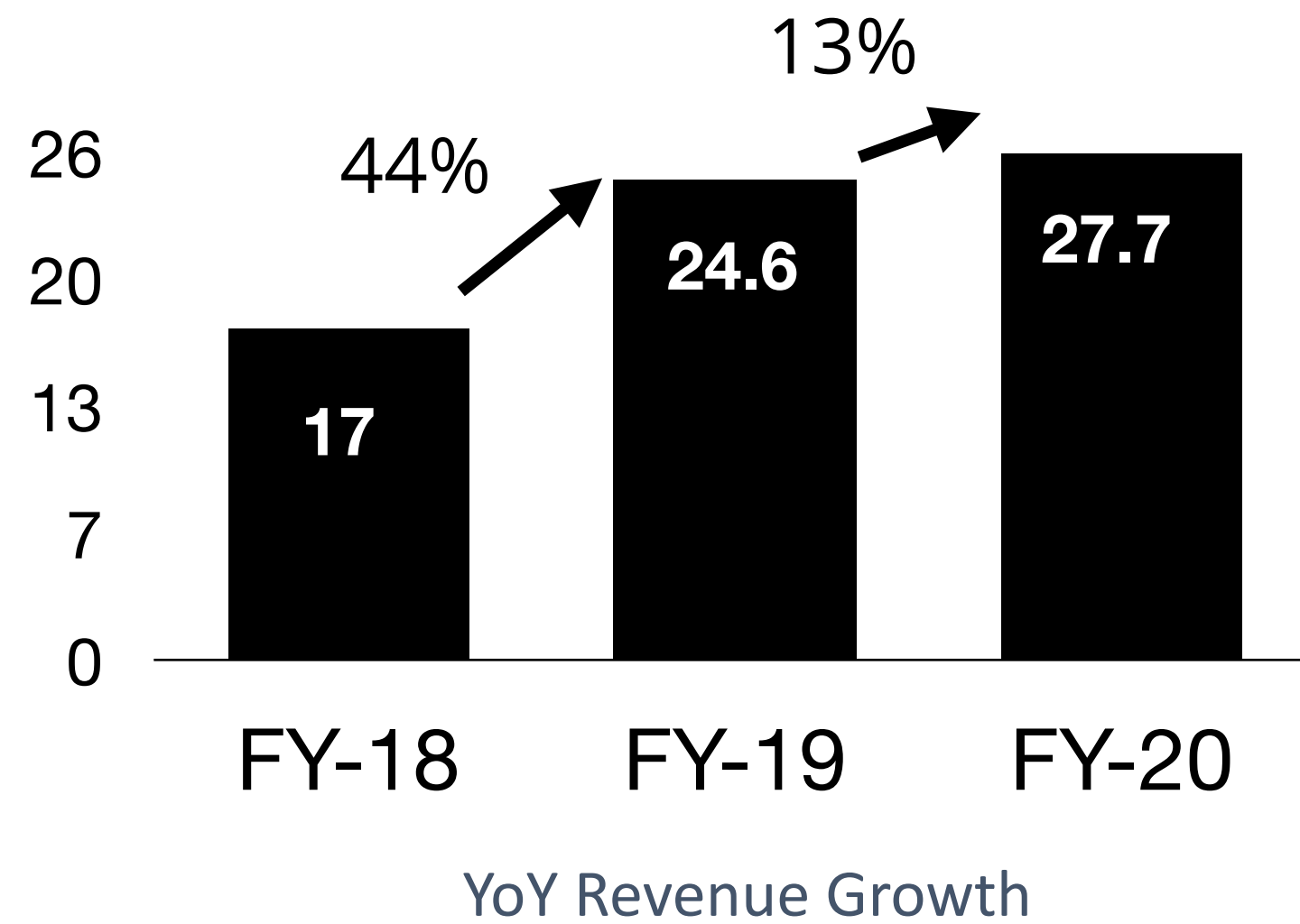
86%

Repeat Revenue

\$11.2m

Cash at bank

FY20 REVENUE UP 13% TO \$27.7M



Continued growth in revenue despite short term slowing as business has strategically shifted towards Enterprise Customers

- ▶ 18% growth in EMEA from enterprise tech-enabled translations & acquired revenue
- ▶ APAC growth of 10% on the back of acquired revenues from NZTC
- ▶ North America up 6%, affected by the closure of Deutsche Bank's investment banking division and the move to Enterprise
 - Within North American, Media up 55%
- ▶ COVID impact from 15th March 2020

Revenues from repeat customers grow 18% and represent 86% of total

GROWTH INVESTMENT CONTINUES IN FY20

Platform leverage starting to flow

- ▶ Gross margin \$ up 13.2% to \$15.2m
- ▶ Gross margin 54.8%. Translation margin % up 50 bps to 55.2% benefiting from additional work put through our Ai powered RAY platform
- ▶ Operating costs up 15.7% due to growth investment, as well as additional listed company costs (FY19 did not have a full year of these)
- ▶ Adjusted EBITDA of \$(0.58)m down slightly
- ▶ Adjusted EBIT of \$(1.84)m reflects higher D&A due to R&D investment and amortisation

NZ\$m unless otherwise stated	FY20	FY19	v FY19
Revenue	27.74	24.59	12.8%
Gross Margin	15.20	13.43	13.2%
<i>Gross Margin %</i>	<i>54.8%</i>	<i>54.6%</i>	<i>0.2%</i>
Operating Costs	(15.81)	(13.67)	15.7%
Other Income / Costs	0.02	0.08	-70.4%
Adjusted EBITDA	(0.58)	(0.16)	-265.3%
<i>Adjusted EBITDA Margin %</i>	<i>-2.1%</i>	<i>-0.6%</i>	<i>-1.4%</i>
D&A	(1.26)	(0.46)	-175.3%
Adjusted EBIT	(1.84)	(0.62)	-198.5%
<i>Adjusted EBIT Margin %</i>	<i>-6.7%</i>	<i>-2.5%</i>	<i>-4.1%</i>

Notes:

1. Earnings adjusted for non recurring costs and amortisation on acquired intangibles.
2. Includes On Global for ten months and NZTC for two months in FY20
3. FY20 includes the effect of the new lease standard IFRS16 whereby \$0.53m of lease costs shift from operating costs to depreciation and finance costs. FY19 comparatives do not include this change.

REPORTED PBT IMPROVED 22%

Restructuring costs to align business for future growth

- ▶ \$0.5m restructuring costs which will result in a lower cost base moving forward in FY21
 - These initiatives, as well as initiatives to be implemented are expected to generate \$3-3.5m of annualised cost savings in FY21
- ▶ Non-cash impairment of \$0.8m re Elanex investment given impact of Deutsche Bank investment bank closure
- ▶ FX gain of \$1.9m on monetary assets, as well as an earnout liability write down of \$0.5m re Eule
- ▶ Bottom line Reported Loss Before Tax improves to \$(2.71)m

NZ\$m unless otherwise stated	FY20	FY19	v FY19
Adjusted EBITDA	(0.58)	(0.16)	-265.3%
Acquisition costs	(0.77)	(0.59)	
Non-operating	(0.53)	(0.17)	
EBITDA	(1.89)	(0.93)	-104.0%
<i>EBITDA Margin %</i>	-6.8%	-3.8%	-3.0%
D&A	(1.26)	(0.46)	
Amortisation on Acq Intangibles*	(1.15)	(0.68)	
Impairment	(0.80)	-	
IPO Costs		(1.95)	
EBIT	(5.10)	(4.02)	-27.0%
<i>EBIT Margin %</i>	-18.4%	-16.3%	-2.1%
Net Financing Costs	2.39	(0.47)	
PBT	(2.71)	(4.49)	39.5%

STABLE CASHFLOWS & STRONG CAPITAL POSITION

\$11.2m cash and no debt at 31 March 2020

- ▶ Operating cash outflow of \$(1.6)m, includes restructuring costs of \$0.5m
 - Underlying operating cashflow was stable at \$(1.1)m
 - Cash Inflows up 12.9%, inline with revenue growth
- ▶ R&D investments continue with 10% of revenues invested in FY20, with \$1.2m capitalised
 - Investment went into Ai powered RAY platform and the new RAY Media platform
- ▶ Continued investment in acquisitions, with the purchase of On Global and NZTC

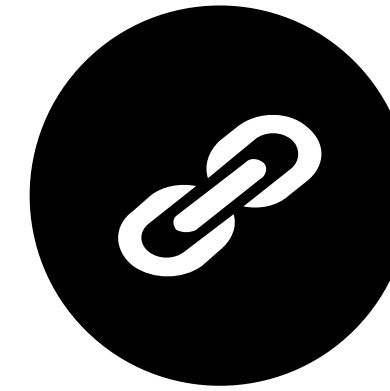
NZ\$m unless otherwise stated	FY20	FY19	v FY19
Adjusted EBITDA	(0.58)	(0.16)	-265.3%
Non-operating expenses	(0.53)	(0.17)	
Changes in working capital	(0.49)	(0.73)	
Operating cash flow	(1.60)	(1.07)	-50.4%
Payments for capitalised software development	(1.19)	(0.74)	
Payments for plant & equipment	(0.24)	(0.10)	
Free cash flow	(3.03)	(1.90)	-59.3%
Payments for acquisitions of subsidiaries	(2.21)	(2.75)	
Investing Cash Flow	(2.21)	(2.75)	19.7%
Net Proceeds from issue of shares	0.061	18.67	
IPO Costs	(0.21)	(1.84)	
Lease Liability Payments	(0.47)		
Interest Charges	(0.07)		
Payment of deferred consideration	(1.51)	(1.56)	
Financing Cash flow	(2.20)	15.27	-114.4%
Net cash flow	(7.44)	10.62	-170.1%

COVID-19 Update

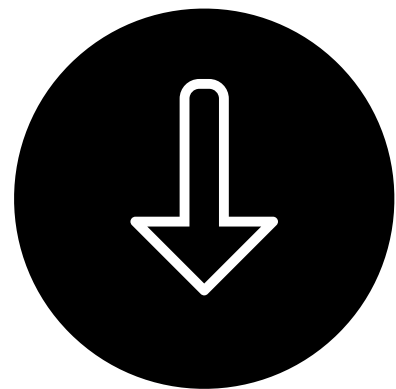
COVID-19 RESPONSE



Executive reduced remuneration by average 18% for 3Q1



Re activated online revenue streams which provide good cash



97% of Staff and Board reduced remuneration by 10%



\$500k government COVID-19 stimulus



Executing plan to remove \$3-3.5m of operating costs



Quickly moved to remote working

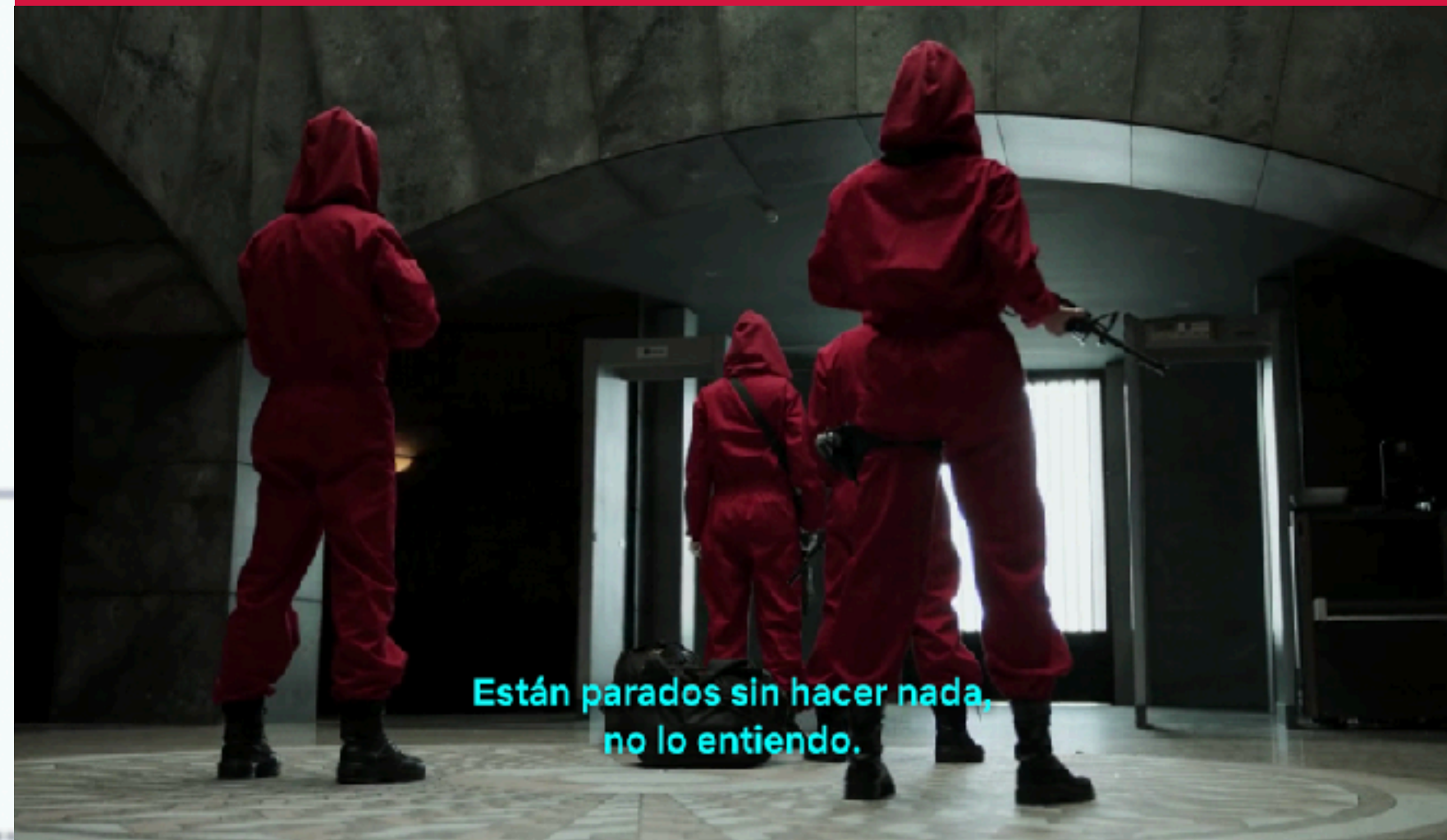
Executing on Strategic Priorities

Remain focused on becoming a \$100m revenue company

**Drive organic
and acquisitive
enterprise
growth**



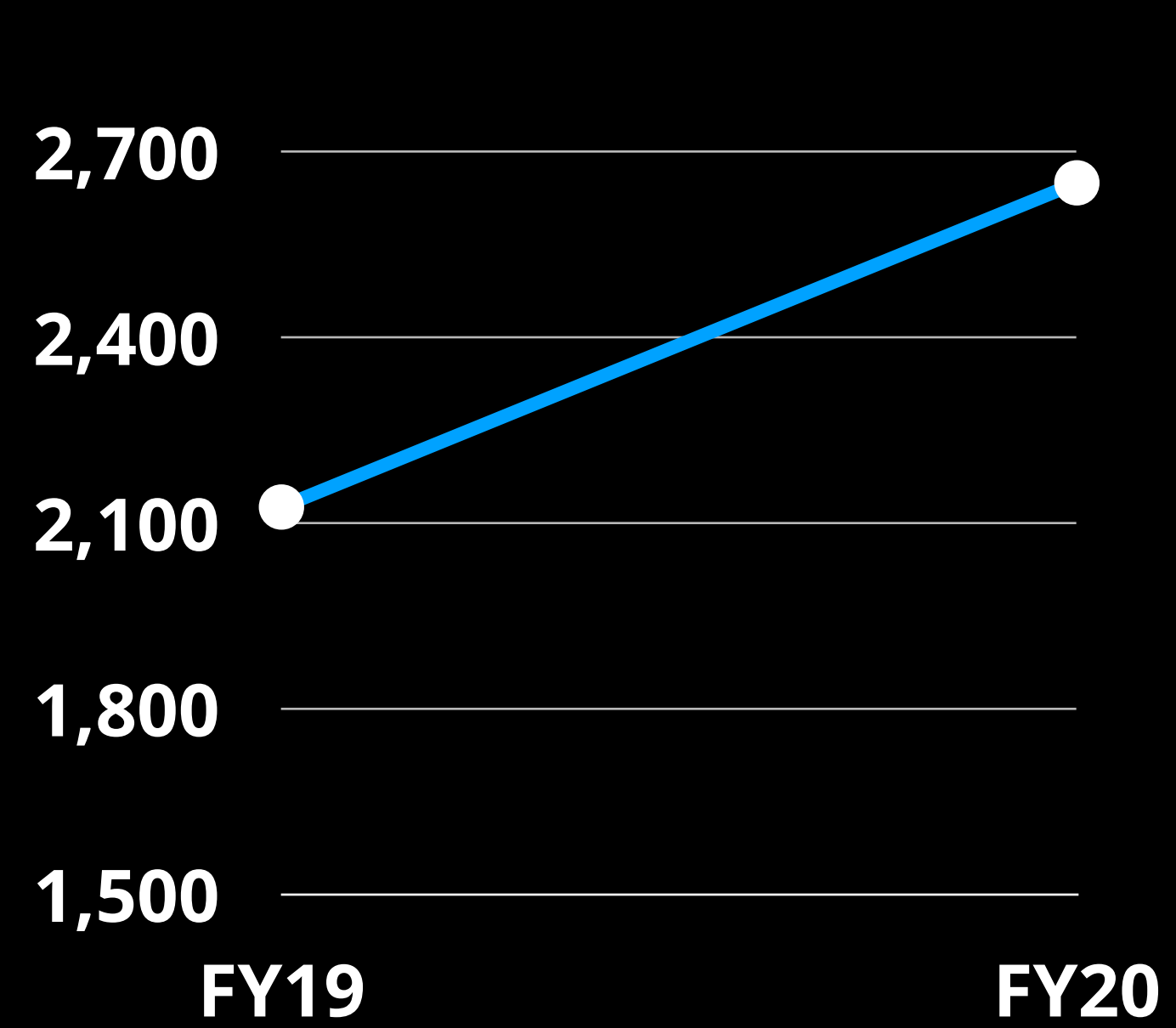
**Aim to be a top 10 Media
Localization company**



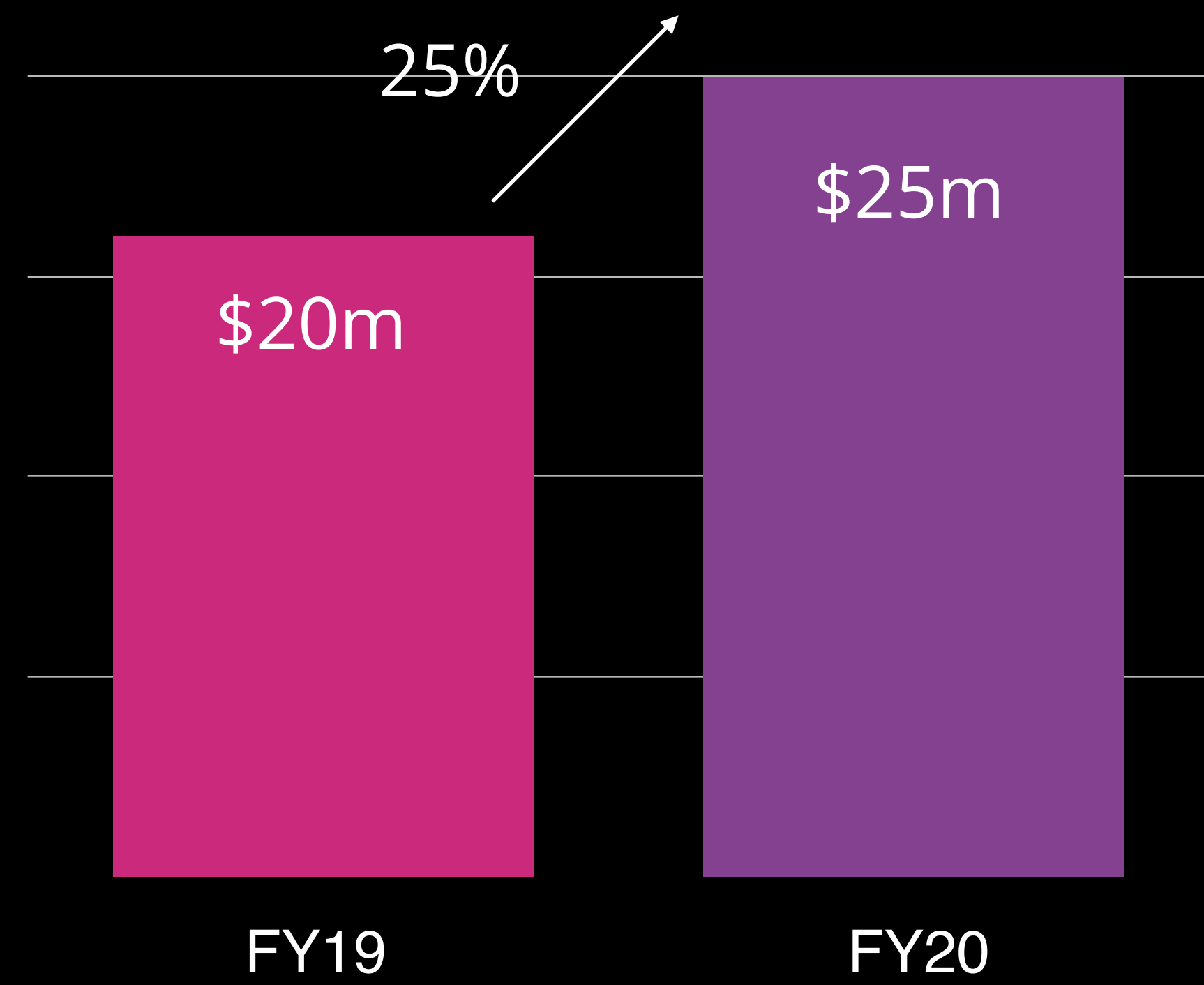
**Become the most
productive translation
company in the world**



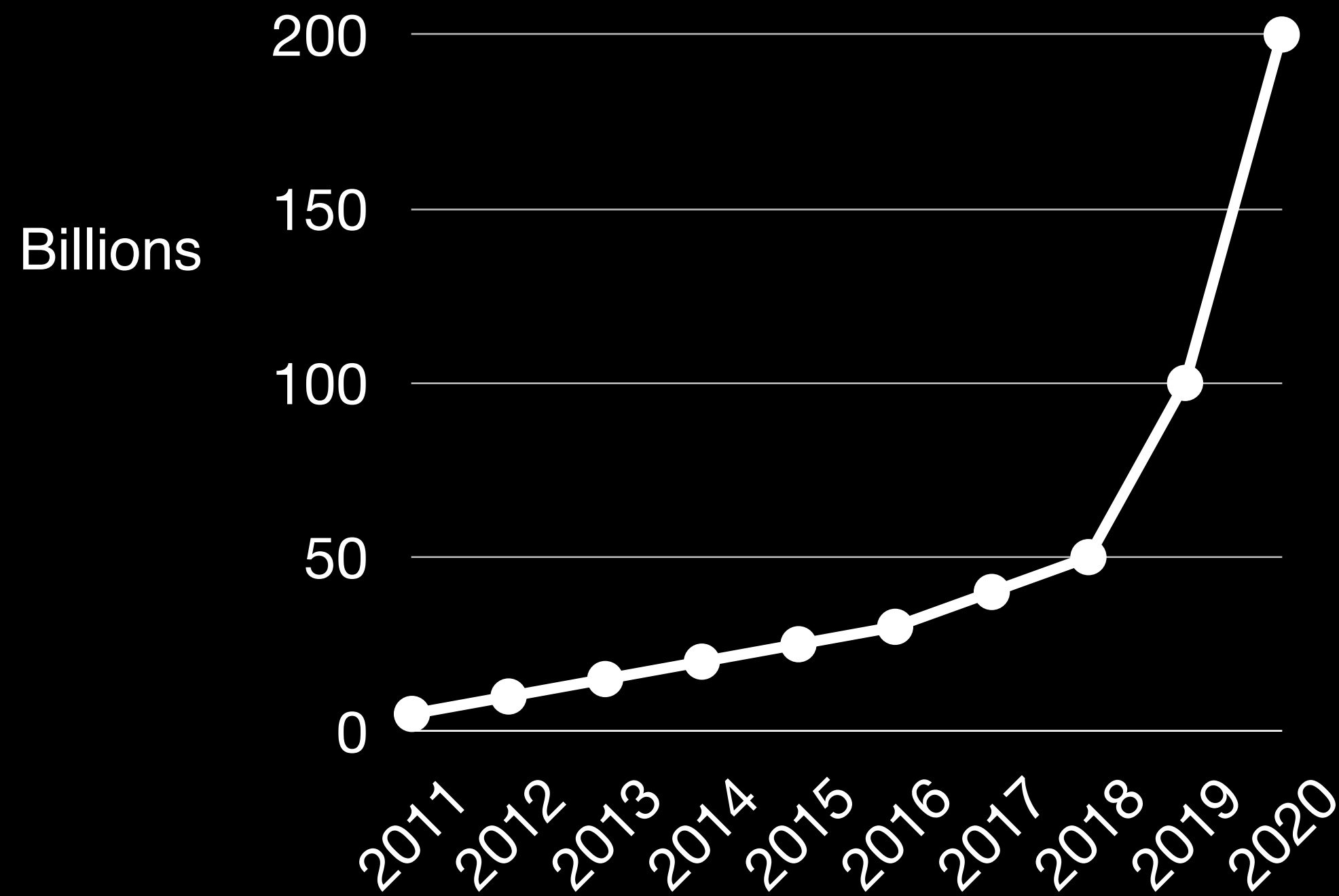
23% Growth in the number of business customers using the RAY platform



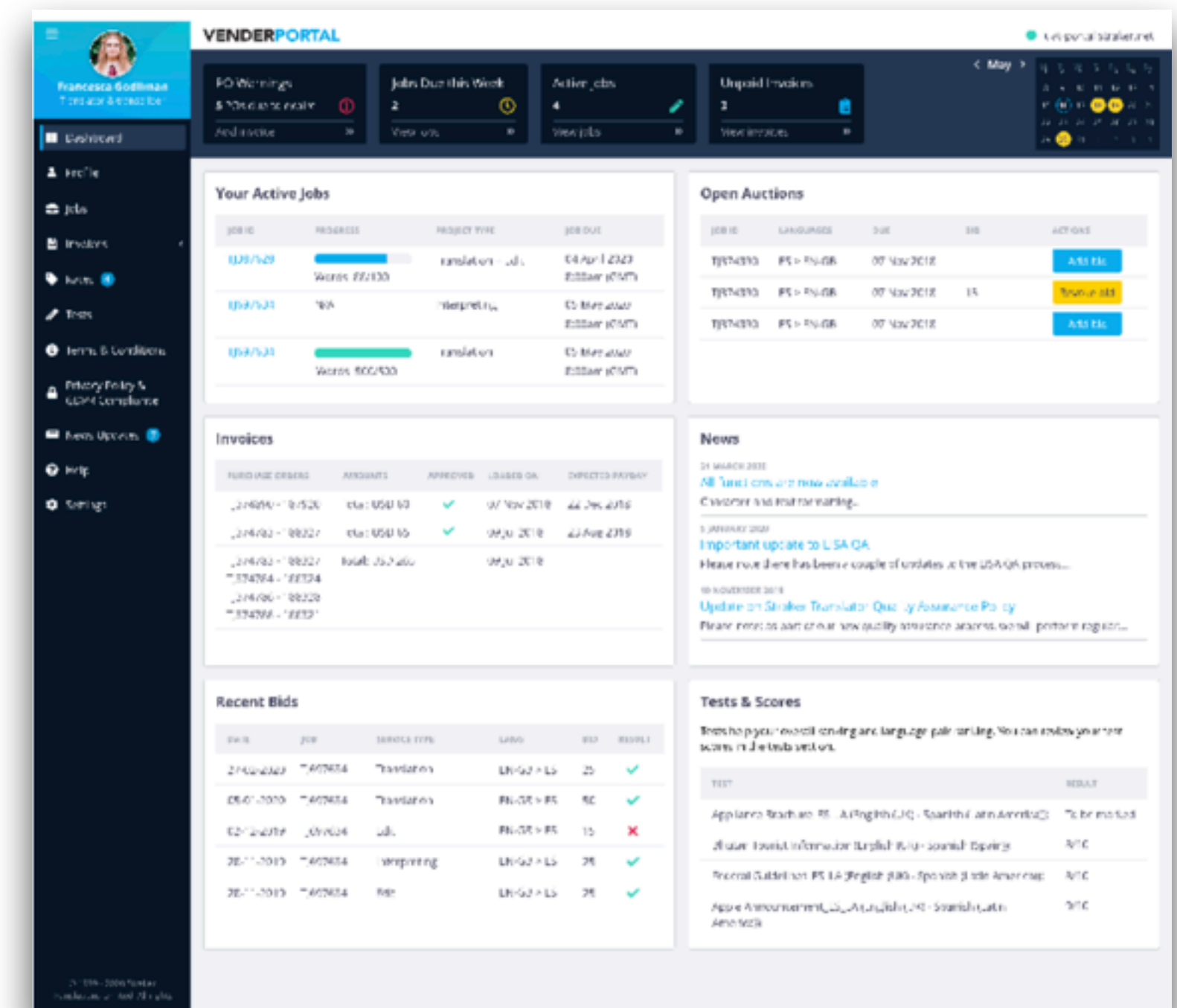
Jobs running on the Ray AI Platform run at 56% margin and have grown by 25%

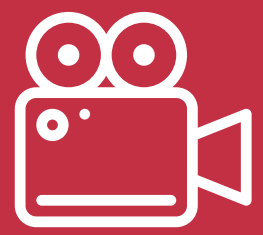


Exponential growth in data assets to drive A.I platform



Released RAY Workbench 4.0 leading the industry with adaptive A.I allowing unique productivity based pricing

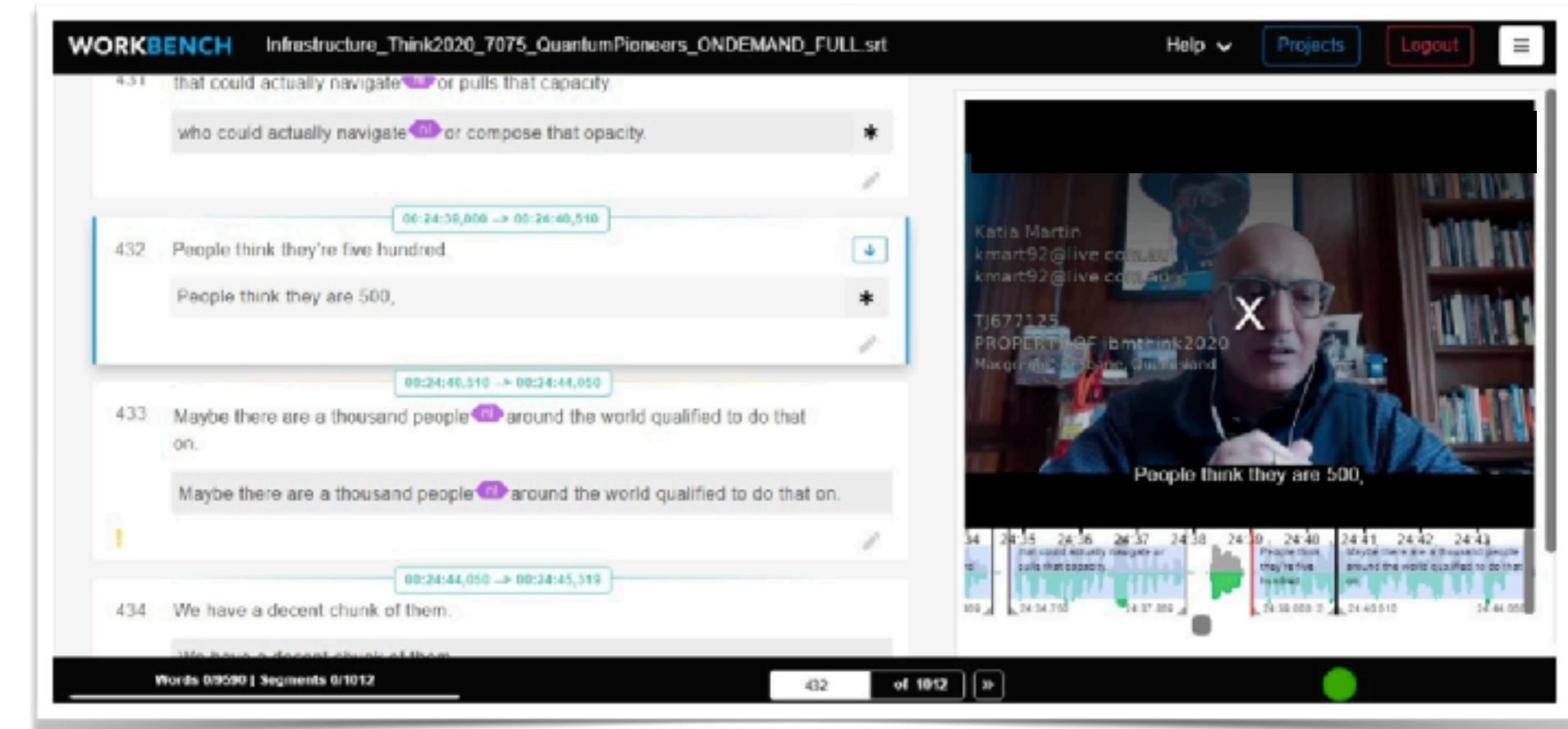




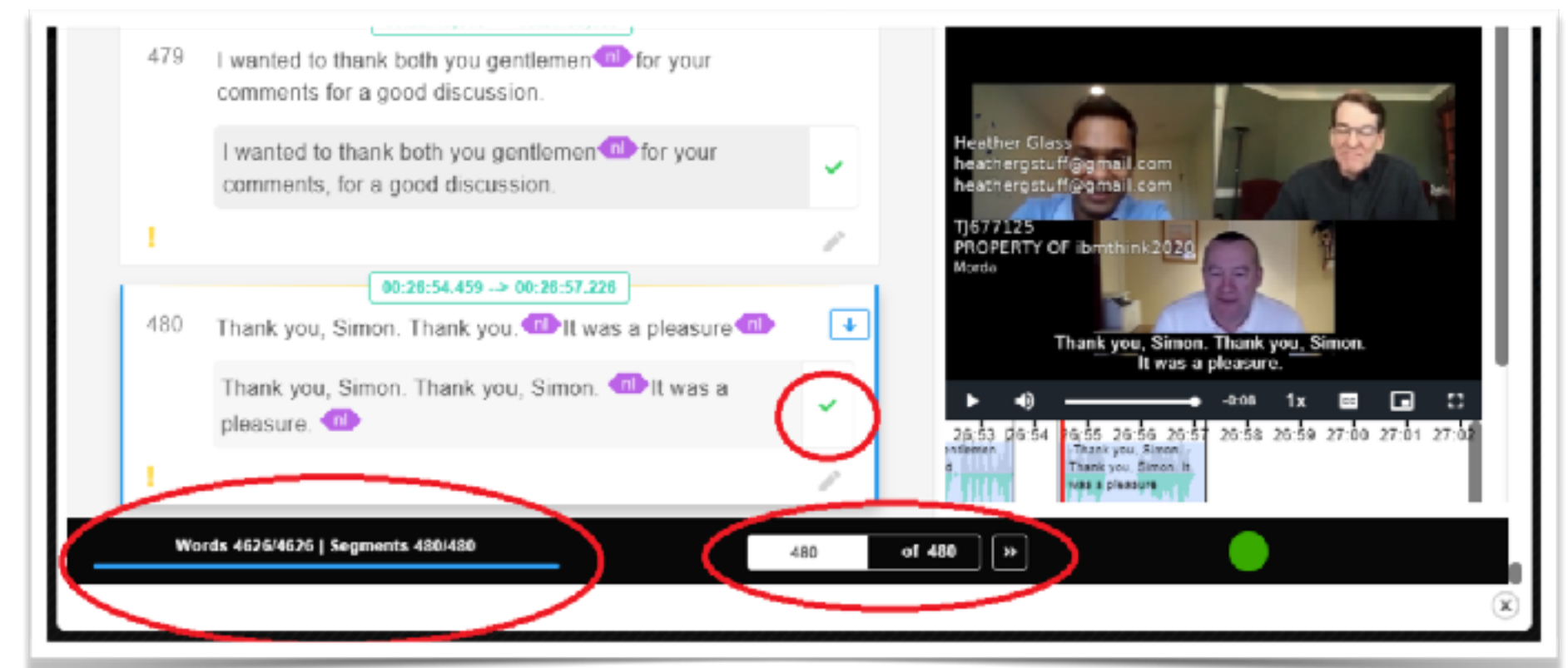
Driving to be a top 10 Media Localization company

We want to be a leading provider of media localisation globally. To do this we need to use innovation and not just scale.

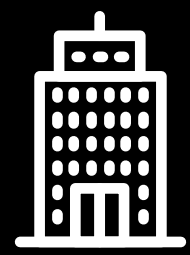
- ▶ Platform for huge volume turnaround in short timeframes
- ▶ We have partnered with leading industry technology providers
- ▶ We have increased our media sales teams
- ▶ Closed deals with existing translation customers



Example of our media workbench use for movie feature



Example of our media workbench use for online conference



Organic Growth


Aggressively approaching new marketing opportunities

- ▶ Enterprise focus gaining traction and significant opportunities in the pipeline
- ▶ COVID-19 driving change in purchasing decisions positive for Straker
- ▶ Conferences and customer interactions going virtual
- ▶ Online marketing campaigns focused on better value through A.I, automation and simplicity

Straker Translations
999 followers
Promoted

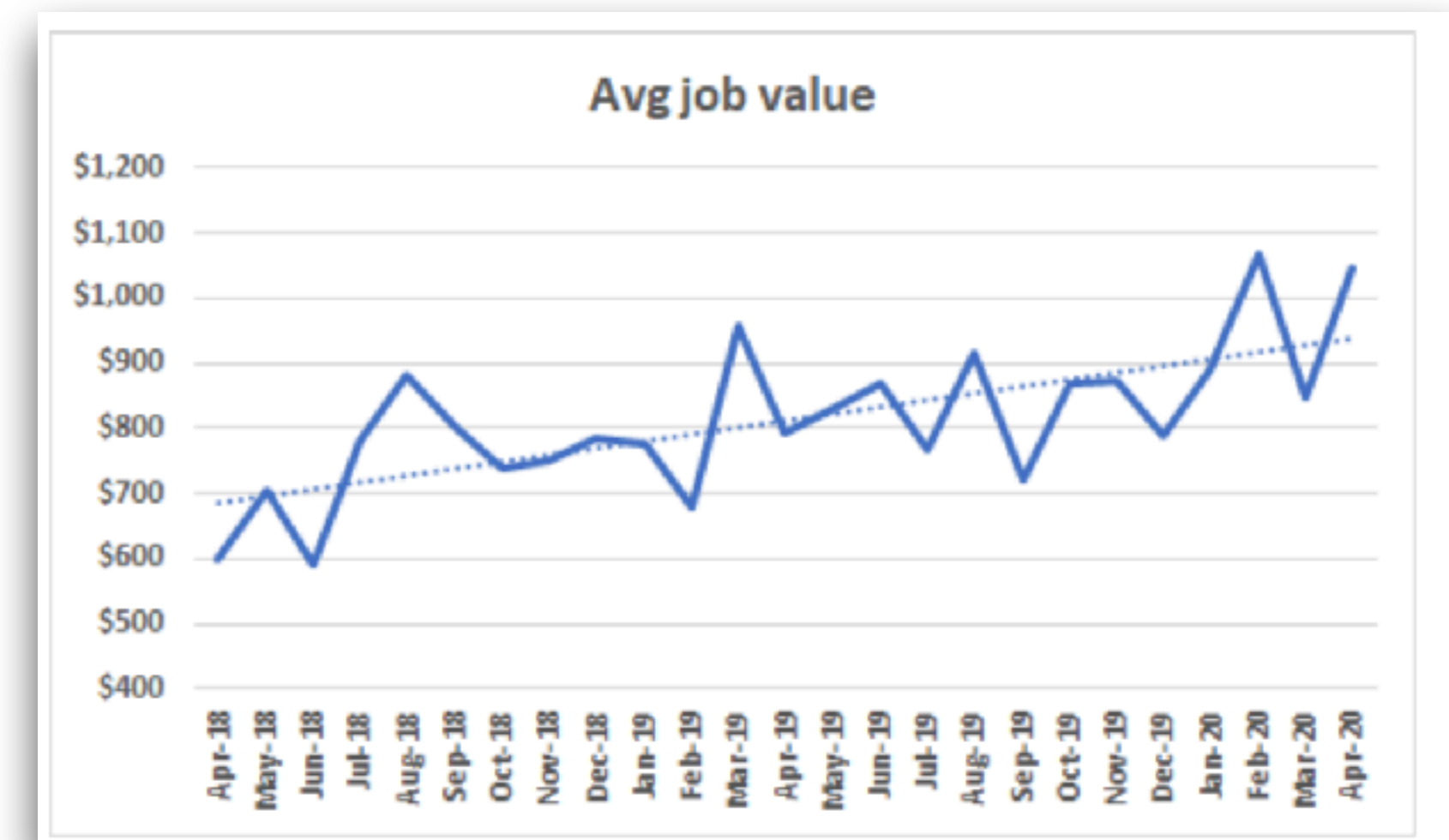
See how our A.I driven platform can lower the cost of translation services and make your life easier.

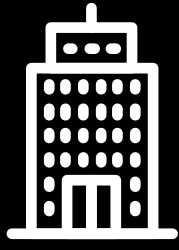
**A.I Driven
= Faster translations**



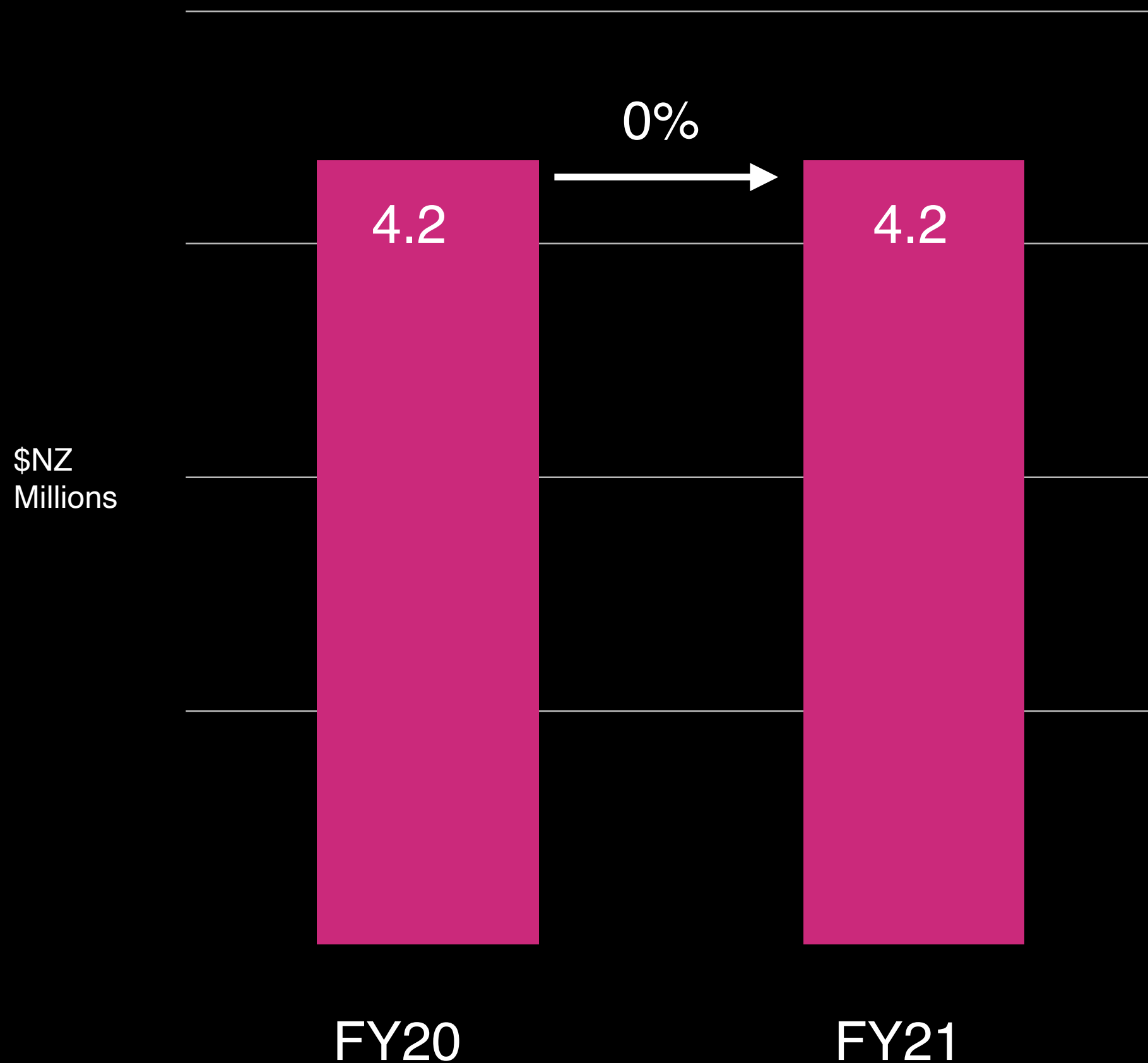
Smarter A.I. Driven Time Based Translation Pricing [Learn More](#)

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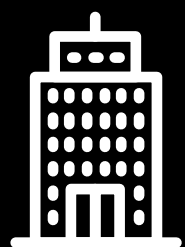


FIRST 6 WEEKS TRADING IN FY21



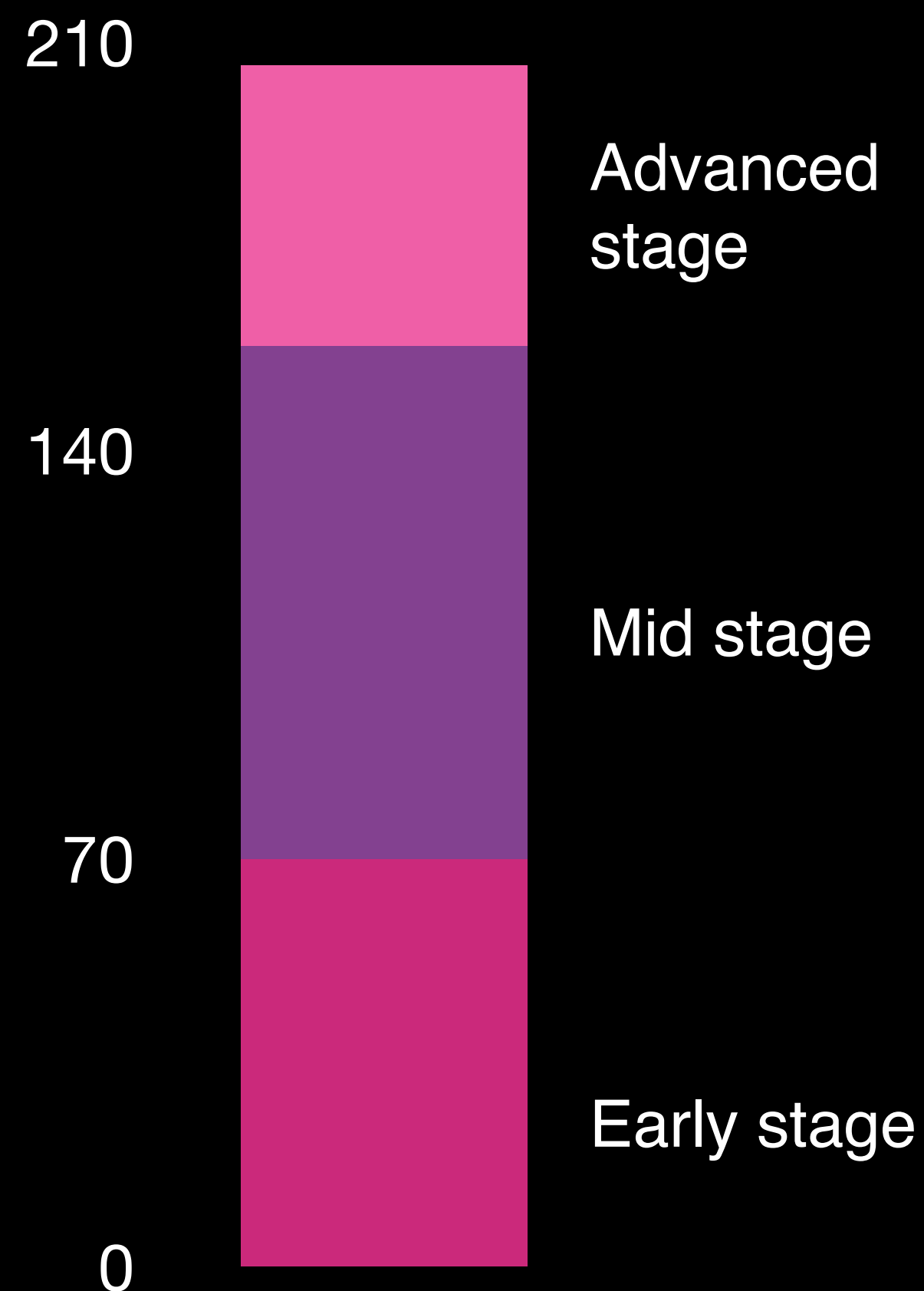
YoY Like for Like Sales Orders

- ▶ We have maintained flat pro-forma sales orders through the worst of the COVID-19 crisis.
- ▶ We saw a drop in some core customer sales orders as they went into lockdown
- ▶ We have offset the sales orders drop with our ability to be agile through the crisis and open up new revenue streams
- ▶ Seamlessly moved organisation to work remotely within a 2 week period
- ▶ Based on first six weeks' performance and what we can see ahead, revenue expected to be stable over FY21 relative to FY20



M&A

- ▶ Still a large number of potential opportunities
- ▶ Possible new targets come to market
- ▶ Ability to increase earn out and use less cash up front
- ▶ Our ability to integrate faster proven with NZTC
- ▶ Will re-engage with all previous opportunities



Current acquisition opportunities around \$200m in total revenue spread across 30 opportunities

Total revenue of acquisitions opportunities in pipeline

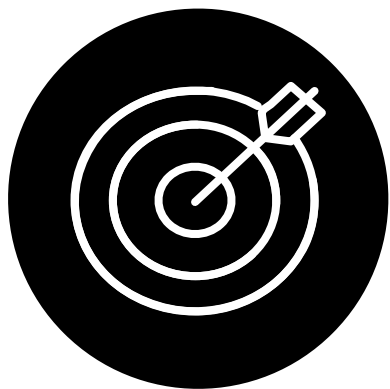
SUMMARY



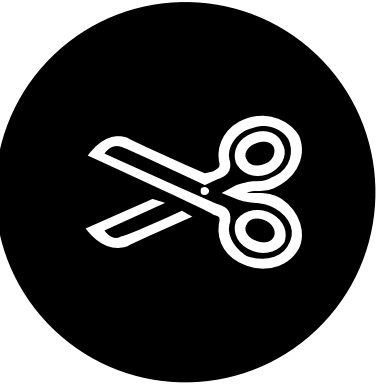
Strong gross margins due to technology advantage



Committed to M&A and see opportunities post COVID-19



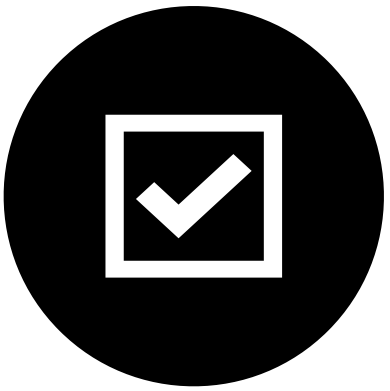
Revenue has been steady through COVID-19 with new opportunities



Have carried out restructuring activity to lower cost base moving forward



Strong financial position to get through COVID-19 and continue to execute growth strategy



Repeat revenue customers now comprising 86% of total revenue

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Appendix

Strong Balance Sheet

Days Sales Outstanding (DSO) expand to 79 days on the back of enterprise customer expansion in Q4, prior to COVID-19 coming into effect

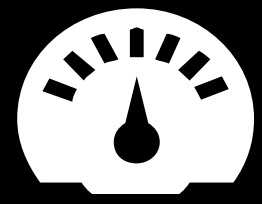
No external debt other than conditional earn-out liabilities related to acquired business' achieving revenue targets

Closed with \$11.2m in bank and are in a strong position to weather the COVID-19 situation and be in a position to continue on growth trajectory

Company had planned to utilise funds raised at IPO to acquire another business when COVID-19 struck the world. As a result, we still have funds to utilise in growth activity

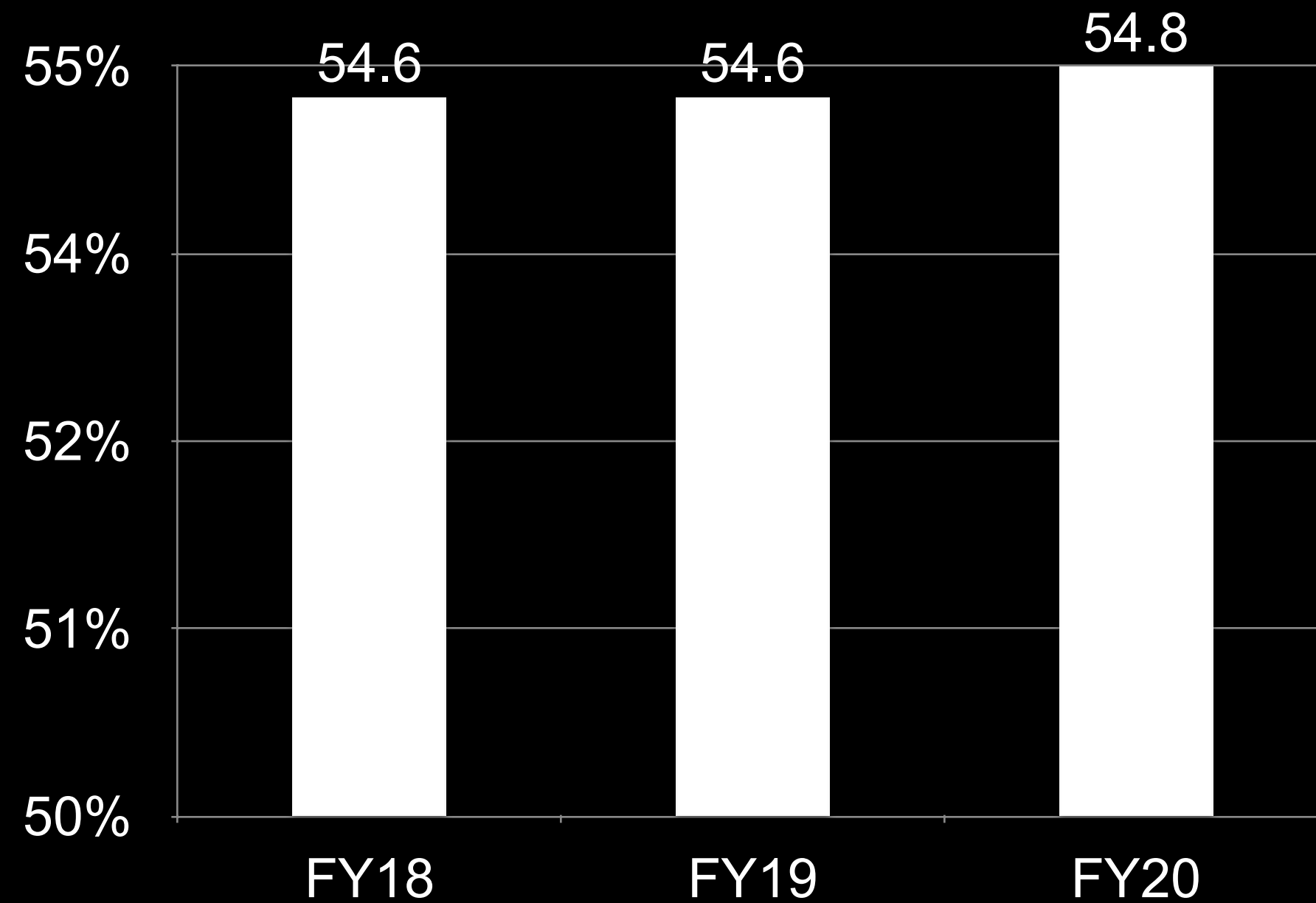
NZ\$m unless otherwise stated	FY20	FY19
Cash & cash equivalents	11.2	17.7
Trade receivables	5.8	3.9
Other current assets	1.5	1.4
Total Current Assets	18.6	22.9
Intangibles - SW & Acquired	13.4	10.3
Intangibles - Right of use assets	1.0	-
Non current assets	0.3	0.2
Total Non Current Assets	14.7	10.5
Trade payables and accruals	4.4	3.6
Deferred consideration	2.0	1.3
Lease Liabilities	0.4	-
Other current liabilities	0.5	0.4
Total Current Liabilities	7.3	5.2
Deferred consideration	0.9	1.1
Lease Liabilities	0.7	-
Deferred Tax	1.0	0.7
Total Non current liabilities	2.6	1.8
Net Assets	23.4	26.4
DSO	79	67

DSO: Days Sales Outstanding



Productivity

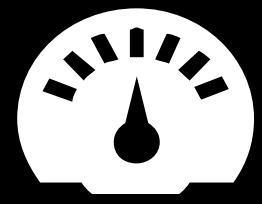
Strong Gross Margins due to technology advantage



Drop from FY17 to 18 due to blended margin from acquired companies in FY18

Increasing R&D investment into growth activities & competitive advantage





CASE STUDIES

EXAMPLES OF GAINS THROUGH DATA

+18%

Publishing Company

Annual Spend: **\$1m**

Margins on acquiring customer: **32%**

Margins in FY20: **50%**

Reason for gain: After manually processing jobs for 18 months we were able to collect enough data points to put their projects onto the RAY platform and workbench and to gain significant speed increases

+17%

Global Industrial Customer

Annual Spend: **\$1.2 - \$1.7m**

Margins outside of RAY platform: **42%**

Margins on the RAY platform: **59%**

Reason for gain: putting jobs directly through our platform once we had time to put in place all of the rules around their content produced a significant margin gain.

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 Appendix 4E Preliminary Final Report for the period ended 29 May 2020, 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
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All information in this presentation is current at 29 May 2020, unless otherwise stated.

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