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ASX RELEASE

Chairman's speech

Straker Translations

Annual Shareholders Meeting

Online: https://us02web.zoom.us/webinar/register/WN_NcLKh3KFQmSuk8ZTLFFxqA

Phil Norman

Chair

It is a great pleasure to address you today after a year that has been among the most challenging and yet one of the most successful in the company's history.

When we began the year the COVID-19 pandemic was accelerating and the outlook uncertain. Globally, businesses were looking to a future of rolling lockdowns, little cross border travel and subdued economic activity.

Straker, which operates a global technology platform across a highly distributed workforce, quickly adapted to the new ways of working and the new economic conditions.

And, while we saw some moderation in demand in the first and second quarter, we have come through 2021 well and we are now in a stronger position than we have ever been.

Straker's success is founded on our RAY language translation platform, which thanks to investment and innovation, has evolved over many years to become a world leader.

Using sophisticated artificial intelligence technology to deliver translations in multiple languages, we are helping companies around the globe to streamline and scale their ability to communicate across borders.

We are helping e-commerce providers to localise their products and global manufacturers to launch products into multiple markets. We facilitate cross border trade by overcoming the barriers of different languages.

We also operate in a large and growing, yet highly fragmented market where few can match our technological leadership and global reach.

Our strategy to make the most of our advantages and consolidate our leadership has been pivotal to our success through a period of turmoil that is unprecedented in recent history.

Straker Translations (STG)
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We have a strategy that is founded on innovation and growth, which is underpinned by three core pillars: growing our customer base, increasing repeat revenues, and continuing to build on our technological leadership.

We grow our customer base through organic growth and by being a leader in the consolidation of the translation sector.

We increase repeat revenues by getting closer to our customers, both those we meet from our sales and marketing activities and those to whom we have been introduced via companies that we have acquired.

Finally, we consolidate our technology leadership by continuing to invest in our platform and driving innovation.

We delivered on all these objectives in the 2021 financial year despite the challenges of COVID-19.

Our customer base expanded. The acquisition of the US translations provider Lingotek delivered a major step up in customer acquisition during the year.

Lingotek expanded our footprint, provided us a strong management team as well as strategic and complimentary technologies.

These technologies include a suite of translation connectors to link our platform with the world's largest content creation solutions including WordPress, Adobe, and Salesforce.

Lingotek has also given us a new software-as-a-service capability, through which we can consolidate relationships with customers, furthering our second goal of increasing repeating revenues.

We expanded our enterprise customer base with new business from global companies such as Nike, Zoom and Siemens.

The strategic alliance we struck with IBM in the third quarter of the financial year also represented a major customer win.

The value of this relationship extends well beyond the revenue we will generate from it as it represents a significant endorsement of our business in our target market of global enterprise customers.

This business, which is built on a relationship established by a company we acquired in Spain in 2018, extends that relationship from one language to 55 languages and sees Straker linking its technology with IBM's platforms.

Through a combination of acquisition and organic growth we ended the financial year with proforma revenues (revenue as if we held Lingotek for the entire financial year) of \$41.2 million. In short, we ended the year having achieved proforma revenue growth of nearly 50%.

We have continued to develop our platform, including:

investment in our application programming interfaces (API's) to make it easier for our customers to integrate with our systems.

enhancements to drive Ray's scalability and resilience; and

towards the end of the year and into the new financial year, began to introduce a subscription capability to our services.

Post balance date you, our shareholders, have encouraged us to accelerate this growth and supported us with a highly successful \$A25 million over-subscribed capital raising. And now, with \$22.1 million of cash on hand, we are well positioned to build on this record of success.

The Board is pleased and proud of the progress we have made in what have been extremely testing circumstances, and this progress gives us great confidence in the year ahead.

Grant will cover this in more detail in his presentation.

Before that however, I want to quickly review our financial performance for the 2021 financial year, the progress we have made in the last quarter and the evolution of governance in our business.

Straker has delivered an outstanding result.

I have already mentioned our strong growth in revenue, and this reflected organic growth as well as the contribution of recent acquisitions including Lingotek. It also included the contribution NZTC, which we acquired at the end of the prior financial year.

Gross margin also increased in nominal terms, however as a proportion of revenue it fell slightly to 53.4% from 54.8% in the prior year.

It is in this figure that we see the impact of COVID-19, as we secured revenue at a lower margin in the early part of the year to underpin the business.

The weakness was short lived with margins in the second half improving thanks to continuing efficiencies and the addition of higher margin subscription revenue from February of this year.

We also saw improvements in EBITDA thanks to our strong revenue growth and prudent management of our costs, particularly our sales and marketing spend against the backdrop of COVID-19 uncertainty.

Operating cash outflow was close to break-even at \$0.3 million and represented an improvement on the prior year, again reflecting careful management of our reserves and improvements in financial performance.

Our investing cashflows and the reduction in cash reserves were due to our acquisition of Lingotek and continued investment in our platform, both of which have positioned us to drive growth in the new financial year.

And again, as we reported to the ASX in July, this strong progress has continued in the first quarter of the financial year.

We are delivering on our new partnership with IBM, and we are seeing the benefits in an acceleration in growth with revenue for the quarter up by nearly 50% on the same quarter a year ago.

Our gross margins have continued to improve to 57%, lifted by Lingotek's high margin SaaS revenue stream and continuing improvements in the underlying businesses.

Cash outflow increased in the quarter, due largely to the impact of Lingotek cashflow being received in periods prior to the acquisition.

I will return to the outlook for the remainder of the financial year shortly, but before that I want to briefly review the evolution of governance at the company.

Your Board is looking through the current turmoil to a future where we envision Straker as a much larger company.

We see a future where we are operating from an expanded global footprint and are helping businesses - from the world largest enterprises to those that work on a smaller scale - to accelerate global trade and activity by breaking down global language barriers.

We are evolving the governance of our business to prepare us for this future. A key focus is the development of our environmental social and governance processes.

This not only reflects our determination to do the right thing by our people, our customers, and our communities as well as our shareholders. It also reflects the growing requirements of our customers and our investors to deliver tangible improvements in these domains.

We have a strong foundation on which to build.

While remote cross-border working has always been part of Straker's DNA, the pandemic has further embedded this approach in our business. It has shown how we can, in many instances, deliver the results from remote meetings that previously we only thought achievable through face-to-face discussions.

By way of example, the Lingotek acquisition and the IBM alliance were negotiated entirely remotely. As a direct result of these changes, once the borders are open, we expect to reduce travel to substantially below our pre-Covid levels. This will deliver a reduction in the carbon intensity of our business and in line with reporting trends we are considering how to capture and report on our carbon footprint.

The requirement to deliver improved social outcomes are also values that are embedded in the way we govern the company, our culture and increasingly they are embedded in our solutions.

We have always embraced diversity, recognising that broader perspectives deliver better solutions and business outcomes. More than half our staff and one third of the executive team are women and our board exhibits similar characteristics.

We set the living wage as the minimum remuneration standard for Straker's people. We are also committed to ensure our executive remuneration is aligned with the interests of shareholders. Notably we seek to closely align short and long-term incentives with the performance of the business and the creation of shareholder value.

As you will see from the notice of meeting, we will be discussing this in more detail when we consider the resolutions.

We have strong customer satisfaction scores, have achieved the highest standards of data security, and in a small way support our local communities with sponsorships.

We also seek to adhere to the highest standards of corporate governance and transparency, with clear disclosure of how we govern the company and fulsome and regular engagement with our shareholders.

The challenge before us is to build on this foundation and evolve as the company grows.

Straker has made a strong start to the new financial year

The company has weathered the global COVID-19 pandemic well and we also see it creating opportunities for Straker.

Our strong balance sheet, our successful track record of integrating well-priced acquisitions and our technological leadership put us in a strong position to lead consolidation in the sector.

We continue to explore bolt-on acquisitions that will benefit from our technologies, extend our reach into key markets and establish relationships with new global enterprise customers.

We are in discussions with several companies and hope to report progress in the coming months.

In the short term, we are focused on meeting our commitments to IBM and other enterprise customers and we are pleased with the progress we have made.

Longer term we are looking forward to an easing in Covid-19 restrictions to drive improvements in trading conditions.

We are investing in growth, with new hires in Europe and North America already yielding a growing sales pipeline.

Consequently, we continue to forecast sales for FY 2022 to exceed \$50 million with a margin exceeding the 53.4% recorded in the FY 2021 year.

We also retain our aspirational target for revenue to reach \$100 million within the medium term.

Before handing you back to Grant, on behalf of the Board, I would like to thank him, the Straker's senior leadership team and all our staff across the globe for their hard work and commitment to the company during the year.

It has been a year when we have been asked to re-think how we work, and you have risen to the challenge and continued to drive the growth and evolution of the company.

I would also like to express my thanks to my fellow Directors for their support over a very busy year.

Lastly, I would like to thank shareholders for your ongoing support. We are clearly optimistic about the year ahead and are looking forward to realising the opportunities we see and continuing to grow shareholder value.

Authorisation

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

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About Straker Translations

Based in New Zealand Straker provides next generation language services supported by a state of the art technology stack and robust AI layer to clients around the world. By combining the latest available technologies with linguistic expertise, Straker's solutions are scalable, cost-effective and accurate. Through technical innovation and data analytics, Straker is a proven partner in future-proofing global communications.

For more information visit: www.strakertranslations.com

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