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ASX ANNOUNCEMENT

29 July 2019

Straker's growth trajectory continues in Q1 FY2020

Key highlights from Q1 FY2020

- 38% growth in cash inflows to NZ\$6.1 million
- Successfully integrated COM Translations' sales and finance functions in a relatively short period of time
- Acquisition of On-Global expanded Straker's European footprint, and is immediately EBITDA accretive
- Increasing investment in technology and team resources to support accelerated growth
- M&A pipeline continuing to grow
- Cash balance of NZ\$15.1 million, and no debt, keeping the Company in a strong position to progress its exciting and successful growth strategy.

Straker Translations Limited (ASX: STG), a world leading AI data-driven language translation platform powering the global growth of businesses, is pleased to provide this quarterly business update alongside its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 30 June 2019 (Q1 FY2020).

Reflecting on Q1 FY2020, Grant Straker CEO & Co-Founder of Straker Translations said:

"The first quarter was a very busy one for our business, as we looked to consolidate the achievements of the prior 12 months. Our clear five-point growth strategy continues to cement Straker Translations as a world leading global AI data-driven language translation platform, while underpinning the Company's growth trajectory.

"Our ability to win new business while successfully integrating the businesses we have acquired, reinforces our growth strategy and ability to generate increasing returns for our shareholders. In addition, the combination of our current, largest ever, pipeline of corporate sales opportunities, combined with our ability to acquire strategically compelling profitable companies and leverage their integration benefits, puts us in a strong position to deliver on our growth aspirations."

Organic growth underpinned by larger corporate customers and STG's largest ever pipeline

Straker's organic growth strategy to move into larger corporate customers off the back of its technology offering through RAY is progressing well.

Q1 FY2020 was a transitional phase, where the global sales team had more of a focus on these opportunities. We anticipate seeing the benefit of the sales initiatives in Q1 flow into H2 in the context of added revenue.

Currently, Straker has its largest ever corporate pipeline. Following our acquisitions of three language translations businesses in Spain, we are now a significant participant in the European translation market and appearing on more vendor lists for large companies. To leverage this opportunity, we have invested in setting up a new global enterprise sales team that is focused on using our technology advantage to win significant global sales deals.

Successfully integrated COM Translations in a relatively short period of time

Following its acquisition, COM Translations was quickly and successfully integrated into Straker. The company has been re-branded to Straker Media to improve the ability to cross-sell and support growth in the audio-visual market, which is currently our fastest growing market segment.

COM Translations has opened up a number of significant opportunities – organic and inorganic – in the fast-growing audio-visual and media localisation markets and is out-performing our expectations for that business.

Acquisition of On-Global further expands Straker's European footprint and accelerates growth

On 17 June 2019, Straker acquired Spanish translation company On-Global Language Marketing S.L. (On-Global) in a combined cash and share deal valued at NZ\$2.25 million with additional earn-out potential.

On-Global, headquartered in Vitoria-Gasteiz in the Basque Country and with an office in Barcelona, is a specialised language services company operating in two regions that are among the most industrial and hi-tech areas in Europe. With 14 employees, On-Global provides translation and technical writing services, transcriptions, website and software localisation, interpreting services, consultancy and document management.

On-Global was a strategically compelling acquisition, extending Straker's presence in the NZ\$500 million Spanish market. On-Global adds new strategic customers onto Straker's high margin RAY technology platform, supports further operational synergies across Straker's European operations, and provides upselling opportunities across On-Global's existing enterprise customer base that have demonstrated a need for Straker's rapid and accurate document translations. Generating NZ\$3.0 million revenue, the acquisition of On-Global is immediately EBITDA accretive.

M&A pipeline continuing to grow

Following Straker's recent successful acquisitions, there has been a noticeable increase in the number of opportunities and advanced conversations around M&A off the back of increased direct engagement with specific targets (rather than through brokers). The Company is currently in advanced conversations with several acquisition opportunities in Spain, UK and USA.

Strong cash position

Straker Translations reported unaudited cash collections of NZ\$6.1 million for the quarter, up 38% compared to Q1 FY2019 (NZ\$4.4 million). Cash collections were lower than anticipated due to the timing of customer payments that have since been received in early July.

Operating net cash outflow for the quarter of NZ\$(0.7) million, compared to an outflow of NZ\$(0.1) million in Q1 FY2019. This reflected the timing of customer receipts, listing costs, additional variable costs paid out for over-achievement of FY2019 sales targets, prepaying full year expenses and re-structuring costs to support the business integrations undertaken (the benefits from which are expected to flow from the current quarter).

Straker continued to increase its investment in platform and technology development, evaluation of potential strategy acquisition opportunities and the payment of final IPO related costs.

On top of investment in organic growth initiatives, Straker continues to execute on its successful M&A strategy, paying a net upfront amount of NZ\$0.74 million for On-Global as well as other acquisition related costs of NZ\$0.27 million. In addition, Straker paid NZ\$0.68 million in relation to deferred consideration on previously acquired businesses.

After a small positive foreign exchange revaluation of NZ\$0.3 million, the business closed Q1 FY2020 with a cash balance of NZ\$15.1 million, and no debt, keeping the Company in a strong position to continue progressing its exciting and successful growth strategy.

Quarterly update – investor conference call

Grant Straker (CEO & Co-founder) and Haydn Marks (CFO) will host an investor conference call regarding the Company's quarterly update today, at 9:30am AET/11:30am NZT.

For those wishing to dial into the call, please register for the call through the following link:

<https://s1.c-conf.com/DiamondPass/straker-10001448-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 10001448 to the operator:

AUSTRALIA TOLL/INTERNATIONAL	+61 2 9007 3187
AUSTRALIA TOLL-FREE	1 800 558 698
NEW ZEALAND TOLL-FREE	0800 453 055

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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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity:

Straker Translations Limited

ABN

628 707 399

Quarter ended ("current quarter")

Q1 – 30 June 2019 (31 March year-end)

Consolidated statement of cash flows	Current quarter (Q1 Jun-19) \$NZD'000	Year to date (3 months) \$NZD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,135	6,135
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,839)	(2,839)
(c) advertising and marketing	(496)	(496)
(d) leased assets	(132)	(132)
(e) staff costs	(2,346)	(2,346)
(f) administration and corporate costs	(1,089)	(1,089)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	29
1.5 Interest and other costs of finance paid	(0)	(0)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(737)	(737)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(75)	(75)
(b) businesses (see item 10)	(1,009)	(1,009)
(c) investments	-	-
(d) intellectual property	(260)	(260)
(e) other non-current assets	-	-
Proceeds from disposal of:		
(a) property, plant and equipment	10	10
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(1,333)	(1,333)

3. Cash flows from financing activities	Current quarter (Q1 Jun-19) \$NZD'000	Year to date (3 months) \$NZD'000
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(162)	(162)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(683)	(683)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Share sell-down)	-	-
3.10 Net cash from / (used in) financing activities	(846)	(846)

4. Net increase / (decrease) in cash and cash equivalents for the period	Current quarter (Q1 Jun-19) \$NZD'000	Year to date (3 months) \$NZD'000
4.1 Cash and cash equivalents at beginning of quarter/year to date	17,669	17,669
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(737)	(737)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,333)	(1,333)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(846)	(846)
4.5 Effect of movement in exchange rates on cash held	310	310
4.6 Cash and cash equivalents at end of quarter	15,064	15,064

5. Reconciliation of cash and cash equivalents at the end of the quarter	Current quarter (Q1 Jun-19) \$NZD'000	Previous quarter \$NZD'000
5.1 Bank balances	14,717	17,668
5.2 Call deposits	346	-
5.3 Bank overdrafts	-	-
5.4 Other (cash)	1	1
5.5 Cash and cash equivalents at end of quarter	15,064	17,669

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$NZD'000
88
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$NZD'000
-
-
N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
8.2 Credit standby arrangements
8.2 Other (please specify)

Total facility amount at quarter end \$NZD'000	Amount drawn at quarter end \$NZD'000
-	-
-	-
-	-

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

9. Estimated cash outflows for next quarter	\$NZD'000
9.1 Research and development	(250)
9.2 Product manufacturing and operating costs	(3,600)
9.3 Advertising and marketing	(452)
9.4 Leased assets	(144)
9.5 Staff costs	(2,405)
9.6 Administration and corporate costs	(1,239)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(8,090)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	On Global Language Marketing, S.L.	
10.2 Place of incorporation or registration	Spain	
10.3 Consideration for acquisition or disposal	(1,009)	
10.4 Total net assets	1,123	
10.5 Nature of business	Language translation and localisation services	

Compliance statement

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

Sign here: 
(Director/~~Company secretary~~)

Date: 29/07/2019

Print name: Phil Norman

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly 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 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.
- 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.