

Straker Translations Limited
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ASX ANNOUNCEMENT

30 October 2019

Straker Translation's growth trajectory continues in Q2 FY2020

Key highlights from Q2 FY2020

- Cash inflows of NZ\$7.3 million, up 15% on Q2 FY2019, and up 19% on Q1 FY2020
- Operating net cash outflow improved 57% to NZ\$(0.3) million; excluding \$0.27 million of re-structuring costs, the business would have been close to cash breakeven
- Partnership with AppTek signed, supporting further growth in attractive Media market segment
- Strong pipeline of new business underpinned by advanced discussions with several large global enterprises
- Progressing further M&A opportunities
- Cash balance of NZ\$14.0 million, and no debt, keeps the Company in a strong position to progress its 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 September 2019 (Q2 FY2020).

Reflecting on progress achieved in Q2 FY2020, CEO & Co-Founder of Straker Translations, Grant Straker said:

"The benefits from our growth strategy were evident in our second quarter performance, with continued growth in cash inflows moving the Company closer to cash breakeven, reflecting the successful integration of acquisitions made over the past 12 months and our growing pipeline of new business opportunities, including further progress with potential enterprise clients."

In addition, we continue to execute our five-point growth strategy and are in advanced discussions with two acquisition opportunities that will build on our large and recognisable position in the global translations market.

Our partnership with AppTek is key to continue to develop our position in the Media segment, as it furthers our ability to win new business. The AppTek partnership, coupled with our recent acquisition of COM Translations, increases our competitive advantage in this segment enabling increased levels of automation to speed up speech-to-text, transcription and text-to-screen services for our customers. Media localisation continues to be the fastest growing segment of the global translation industry and we are executing on our strategic plan to become a major global force in this segment."

Growth underpinned by larger corporate customers and platform connectivity opportunities

Straker Translations continues to successfully progress its evolution to also servicing the large enterprise / corporate segment of the market, with a dedicated global sales team. While lead times are longer, the size of the opportunities are multiples larger, and the Company is confident that the current opportunities will deliver strong revenue growth in H2 FY2020 and beyond.

The benefits of this organic growth focus on the enterprise segment are already being seen, with Straker Translations being selected as one of the preferred vendors for a major global enterprise. This customer has indicated that Straker Translations is one of five preferred vendors and can expect revenue to increase from that customer by 5x as multiple old vendor agreements end on their side.

Currently, Straker Translations has its largest ever pipeline of new business opportunities, given the focus on large enterprise clients.

Following Straker Translations' acquisitions of three language translation businesses in Spain, the Company is now a significant participant in the European translation market. This market position is being leveraged in market segments experiencing strong growth, such as Media, Financial Services and Technology.

AppTek Media partnership

Straker Translations signed an agreement with AppTek on 18 October 2019. AppTek is a world-leader in the next generation AI and machine learning technologies for automatic speech recognition, neural machine translations, and natural language solutions. This partnership will integrate AppTek's technology onto Straker Translations' state-of-the-art RAY AI platform, improving the speed, automation and accuracy of the platform, and delivering enhanced commercial outcomes for customers of both AppTek and Straker.

M&A growth opportunities

Following Straker Translations' recent successful acquisitions and integrations, the Company continues to progress discussions with several value accretive opportunities. Straker Translations is in advanced discussions with two opportunities based in Europe, and the Company is hopeful that at least one opportunity will be undertaken prior to the end of this calendar year.

With M&A a key global growth opportunity for Straker Translations, and a successful track record to date, the Company continues to seek opportunities, while making sure they are aligned to its growth strategy and are earnings and value accretive for shareholders.

Reducing cash outflows and strong capital position supporting growth

Straker Translations' unaudited cash collections were up 15% to NZ\$7.3 million for the quarter (Q2 FY2019: NZ\$6.4 million). Cash collections were 19% higher than Q1 FY2020 due to the timing of customer payments from projects that closed in late June.

Operating net cash outflow for the quarter of NZ\$(0.3) million, compared to an outflow of NZ\$(0.8) million in Q2 FY2019. This reflected increased collections from the underlying business and contribution from the recent On-Global acquisition. It should also be noted, that \$0.27 million of operating costs in Q2 FY2020 related to re-structuring the business as a result of integrating acquisitions, and without these costs the Company would have been close to cash breakeven for the quarter.

Straker Translations continued to increase its investment in platform and technology development, with NZ\$0.5 million invested in capital development during the quarter.

After a small positive foreign exchange revaluation of NZ\$0.2 million, the business closed Q2 FY2020 with a cash balance of NZ\$14.0 million, and no debt, supporting the Company in continuing to progress its successful growth strategy.

H1 FY2020 – Results release and investor conference call

Straker Translations intends to release its H1 FY2020 results prior to market open on 22 November 2019. Grant Straker (CEO & Co-founder) and Haydn Marks (CFO) will host an investor conference call regarding the Company's H1 results on the day, at 9:30am AEDT/11:30am NZDT.

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

<https://s1.c-conf.com/diamondpass/straker-10002545-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 10002545 to the operator:

AUSTRALIA TOLL/INTERNATIONAL	+61 2 9007 3187
AUSTRALIA TOLL-FREE	1 800 870 643
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, 01/09/1

Name of entity:

Straker Translations Limited

ABN:

628 707 399

Quarter ended ("current quarter")

Q2 - 30 September 2019 (31 March year-end)

Consolidated statement of cash flows	Current quarter (Q2 Sep-19) \$NZD'000	Year to date (6 months) \$NZD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,320	13,455
1.2 Payments for	-	-
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,452)	(6,292)
(c) advertising and marketing	(369)	(865)
(d) leased assets	(94)	(226)
(e) staff costs	(2,435)	(4,780)
(f) administration and corporate costs	(1,329)	(2,418)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	41
1.5 Interest and other costs of finance paid	-	(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	(348)	(1,085)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(65)	(139)
(b) businesses (see item 10)	(695)	(1,703)
(c) investments	-	-
Consolidated statement of cash flows	Current quarter (Q2 Sep-19) \$NZD'000	Year to date (6 months) \$NZD'000
(d) intellectual property	(271)	(531)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	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	(1,031)	(2,363)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	47	47
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	(7)	(170)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(0)	(684)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Share selldown)	-	-
3.10 Net cash from / (used in) financing activities	40	(807)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	15,064	17,669
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(348)	(1,085)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,031)	(2,363)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	40	(807)

Consolidated statement of cash flows	Current quarter (Q2 Sep-19) \$NZD'000	Year to date (6 months) \$NZD'000
4.5 Effect of movement in exchange rates on cash held	237	548
4.6 Cash and cash equivalents at end of quarter	13,962	13,962
5. Reconciliation of cash and cash equivalents at the end of the quarter (as at 30 Sep-19)	Current quarter (Q2 Sep-19) \$NZD'000	Previous quarter \$A'000
5.1 Bank balances	9,107	17,668
5.2 Call deposits	4,855	-
5.3 Bank overdrafts	-	-
5.4 Other (cash)	0	1
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	13,962	17,669

6. Payments to directors of the entity and their associates	Current quarter \$NZD'000
6.1 Aggregate amount of payments to these parties included in item 1.2	134
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	


7. Payments to related entities of the entity and their associates	Current quarter \$NZD'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end	Amount drawn at quarter end \$NZD'000
	-	-
	-	-
	-	-
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
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		(3,500)
9.3 Advertising and marketing		(440)
9.4 Leased assets		(106)
9.5 Staff costs		(2,440)
9.6 Administration and corporate costs		(1,339)
9.7 Other (provide details if material)		-
9.8 Total estimated cash outflows		(8,075)
10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)		
	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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: 30/10/2019

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.