

Straker Translations Limited  
Level 2, Building 3  
61 Constellation Drive  
Rosedale 0632  
NEW ZEALAND

ARBN: 628 707 399  
Ph: +64 9 801 0648

[www.strakertranslations.com](http://www.strakertranslations.com)  
[investors@strakertranslations.com](mailto:investors@strakertranslations.com)

## **ASX ANNOUNCEMENT**

26 August 2020

### **Chairman's Address to Straker Annual Meeting on 26 August 2020**

I am delighted to have this opportunity to address Shareholders at the Company's second Annual Meeting since listing on the ASX in October 2018.

#### Overview

Straker has developed a language translation platform that has evolved over many years to become a world leader. Using sophisticated artificial intelligence technology to deliver translation services in multiple languages, the Company now has a global footprint in a large and growing market.

The financial year ended 31 March 2020 (FY20) was another successful year for Straker with solid revenue growth, improved gross profit and stable EBITDA, even as we continue to increase our investment in technology development and sales activity to drive future growth. The Company successfully concluded two strategic acquisitions, grew its Enterprise and Media business, and accelerated investment in its technology platform given the substantial growth opportunities available.

#### Financial Performance

Revenue in FY20 was up 13% to NZ\$27.7 million, and pre-COVID-19 was tracking to achieve a run-rate of NZ\$40 million if an acquisition had not been paused. Importantly, repeat revenues increased 18% during FY20 to NZ\$23.9 million and represented 86% of overall revenue. Reflecting the Company's strategy to focus on its Enterprise and Business segments, average project revenue continued to increase, and as at 31 March 2020 was up 18%.

The number of business customers using our proprietary Ai powered RAY translation platform was up 23% to 2,650. Not only does the RAY platform increase the speed at which customers can translate projects and deliver substantial savings to them, it also delivers increased gross margin as more work is moved onto the platform from acquired companies. Gross margin on the RAY platform currently sits at 56% and underpinned an overall 55% gross margin of NZ\$15.2 million.

On a non-IFRS financial performance basis, the Company produced an Adjusted EBITDA loss of NZ\$(0.58) million, an increase of NZ\$(0.4) million on FY19. The change reflected our shift in focus to attract Enterprise customers, continued R&D investment to expand our footprint in the Media industry, and the costs of being a listed company, offset by the effects of the new IFRS 16 lease standard.

The reported operating loss of NZ\$(2.4) million was an increase on the FY19 comparable loss of NZ\$(0.8) million. The FY20 result included NZ\$(0.8) million related to increases in depreciation and

amortisation and re-structuring costs from right-sizing to respond to COVID-19. In addition, a one-off non-cash expense of NZ\$0.8 million was incurred in FY20 in relation to the impairment of goodwill in the Group's subsidiary Elanex as a result of a long standing banking customer closing its investment banking arm, which we provided translation services for, as well as the impacts of COVID-19 on this business.

The loss after income tax was NZ\$(2.5) million, which was an improvement of \$1.8 million on FY19.

#### Stable Cashflows and Strong Balance Sheet

Operating net cash outflow of NZ\$(1.6) million was up NZ\$(0.5) million on last year as the Company continued to progress its strategy to focus on the Enterprise and Media sectors, invest in R&D and re-structure the business to achieve cost synergies. While larger in size, Enterprise and Media projects have longer sales duration times.

The Company continues to have a strong capital position with NZ\$11.2 million cash at bank at 31 March 2020 and no debt, other than deferred and contingent consideration in respect of acquisitions and lease liabilities recognised under IFRS 16.

#### Business Strategy

Straker's goal is to be a world leading Ai data-driven translation business and we will achieve this ambition through a combination of organic growth and the acquisition of other translation companies that add revenue scale and key customer relationships in strategically important categories, support geographic diversity, and provide operating leverage through the use of Straker's proprietary RAY technology platform, and additional human capital.

Over the last twelve months, the Company has increased its focus on larger Enterprise customers and grew the number of such customers by 70% to 56 at year-end. This focus will remain a key element of the Company's growth strategy going forward and as we enter FY21, the pipeline of Enterprise opportunities is strong.

Our Media business is rapidly gaining momentum, increasing 55% on FY19, and we now have several important customer relationships with US-based global media organisations that we service both directly via our Burbank, California office and with key technology partners such as AppTek. We expect these Media relationships to be a major area of growth for Straker and we will continue to invest in our specialised Ai powered RAY Media platform to support this growth.

#### COVID-19 Pandemic

During Q1 FY21, customer sales orders were up 24% on Q1 FY20 while revenue for the quarter was only down slightly on the previously comparable period on a pro-forma basis. Repeat business from large Enterprise customers underpinned the stability in revenues through the COVID-19 crisis and the pipeline of Enterprise deals is increasing as large global businesses look to use Ai-driven platforms like RAY to reduce costs post-COVID-19.

Our response to COVID-19 was swift, seeing us quickly shift all staff to a working from home mode without affecting our excellent customer service levels. We have also taken a number of steps to reduce costs across the business, including, for a period, temporary salary cuts for staff, Management and Board members.

We also temporarily paused M&A activity following the onset of the pandemic. This impacted one European acquisition opportunity that was at an advanced stage of negotiation, but our team has maintained contact with the owners of that business and expect to re-engage once the impact of

COVID-19 is clearer in Europe. Our pipeline of M&A prospects remains strong and we are confident that as the pandemic subsides more attractive opportunities will emerge.

### Management and Governance

We are fortunate to have a talented and committed Management team, which has remained unchanged during FY20. Led by Grant, our CEO and Co-founder, this team has delivered a strong FY20 result, secured another two acquisitions, reacted quickly and positively to an unexpected global pandemic, and positioned the business for further organic and acquired growth in FY21 in a what is expected to be a challenging market environment.

The Board of Directors also remained unchanged during the year. However, after year end, on 14 April 2020, Katrina Johnson, resigned as a Director and I thank her for the input she provided during her tenure and wish her well in her future endeavours. On 20 July 2020, the Board appointed Amanda Cribb to fill the vacancy created by Katrina's resignation and we welcome her to the team. Amanda has a finance and strategy background, fuller details of which are set out in the Explanatory Statement included in the Notice of Meeting.

On behalf of the Board, I would like to thank the Company's senior leadership team and all our staff across the globe for their hard work during FY20. I would also like to express my thanks to my fellow Directors for their support over a very busy FY20.

### Outlook

The Company has weathered the global COVID-19 pandemic well and continues to experience strong demand for its products and services, particularly in the Enterprise and Media sectors.

During the last year, our core RAY technology platform has been significantly enhanced and we have added automated speech recognition and advanced sub-titling capability to our RAY Media platform, making it best in class. As we grow, we will accelerate investment in our platforms and the innovative products that reside on them, all of which will leverage our strong Ai know-how and experience. Our world-leading technology capability will remain a defining point of difference for the Company and sets Straker apart from its competitors.

Based on the Company's performance over the first quarter of FY21 and what we can see ahead, we believe revenue will be stable over FY21 relative to FY20.

We are also looking forward to re-engaging with some of the previously identified acquisition targets as we now better understand the extraordinary market conditions we are operating under. We have an objective of securing at least one more acquisition before the end of FY21.

Lastly, I would like to thank all our shareholders for their ongoing support over the last year. We are looking forward to delivering on the attractive opportunities we see for the business moving forward and growing shareholder value.

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

### **For further information, please contact:**

**Corporate:**

Grant Straker, CEO & Co-Founder

**Investors:**

Ronn Bechler, Market Eye

E: [grant@strakertranslations.com](mailto:grant@strakertranslations.com)

P: +64 21 512 484

E: [ronn.bechler@marketeye.com.au](mailto:ronn.bechler@marketeye.com.au)

P: +61 400 009 774

### **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](http://www.strakertranslations.com)