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ASX ANNOUNCEMENT

30 October 2020

Quarterly Activities Report for Quarter ended 30 September 2020

New market opportunities and technology leadership underpins sales growth

Key takeaways from Q2 FY2021:

1) **Sales orders up 29% on Q2 FY2020 to NZ$7.5 million with September 2020 up 18% on the next highest month, at $3.0 million; Q2 revenue at NZ$7.2 million (unaudited), with recovery in most market segments continuing**
   - Recovery seen in nearly all market segments, with September sales orders the Group's highest yet, up 18% on the previous high and exceeding the $3 million monthly milestone
   - Strong sales pipeline continuing to grow with several sizeable new enterprise opportunities
   - Lower overhead costs given acquisition synergies and COVID-19 right sizing underpin savings that are now being reinvested to deliver growth in sales and pipeline opportunities
   - New market opportunities as larger translation users look to utilise more technology in the translation process and to move to an outsourced model post COVID-19

2) **Continued growth in revenue growth**
   - Record half-year revenue, unaudited at NZ$14.8 million
   - Full financial year run rate revenue at end of Q2 FY2021 was NZ$28.7 million, up 4% from Q2 FY2020

3) **Further enhancing Straker's technology leadership**
   - Enhanced functionality for subtitling and user optimisation for the translation workbench
   - Increased RAY's filetype support and XML parsers
   - New media QA and amalgamated reporting features

4) **Underlying operating cash flow still strong**
   - Operating cash inflows – customer receipts up 7% to NZ$7.8 million (versus Q2 2020)
   - Operating net cash outflow of NZ$(0.04) million reflecting acquisition synergies and COVID-19 right sizing

5) **Total cash outflow of NZ$(1.0) million; cash balance of NZ$7.7 million at 30 September 2020**
   - Includes NZ$(0.7) million in earn-out payments

6) Discussions with potential M&A opportunities occurring

- Evaluating several new M&A opportunities
- Goal remains to undertake at least one material acquisition in FY2021

Straker Translations Limited (ASX: STG), a world leading translation platform building the future of global communication bringing machines and humans together, is pleased to provide this Quarterly Activities Report alongside its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 30 September 2020 (Q2 FY2021).

Reflecting on Q2 FY2021, CEO & Co-Founder of Straker Translations, Grant Straker said:

"The continued growth we have achieved this quarter, including our biggest ever sales order month in September, highlights the compelling value we generate for our customers through our unique translation technologies. Straker is fast becoming a world leader in using Ai, humans and automation in the translation process. The growth in Enterprise customers is testament to this.

"It's not just about top line revenue growth. As a technology company, we're very focused on recurring business. Over 80% of revenues is currently related to repeat business and we have aspirations to further grow this.

"As the translation industry consolidates globally, we continue to grow organically, extract synergies from acquisitions, and pursue M&A opportunities. The integration of NZTC has been very successful with substantial value created, not just in terms of cost synergies, but also revenue synergies through NZTC's clients utilising Straker's technologies to drive supply chain savings and efficiencies.

"The company's cash position, with NZ$7.7 million in the bank and no bank debt at 30 September, has supported us in funding our growth initiatives, including further investment in R&D. The combination of cash on the balance sheet, a growing pipeline of organic opportunities, enhanced technologies and increasing repeat customers, positions Straker to deliver on the growth opportunities we see for our business."

Repeat customers in new market segments underpinning growth

During Q2 FY2021, Straker won a major Media project leveraging the Company's media tech platform. We continue to see opportunities in the enterprise space, though the media entertainment business is subdued as new productions are affected by COVID-19.

Recurring Enterprise customers delivered 46% of sales over the past six months, reinforcing the value of this segment to Straker's growth. Larger translation users are evaluating technology such as RAY and looking to use more of an outsourced/variable cost model post COVID-19, which aligns well with our market offering. Recurring sales orders stood at $11.5 million over H1 FY2021.

R&D investment supports technology lead

During the quarter, several R&D projects were undertaken and completed, with the major one being the ability to support a much wider range of file types through our API making it easier to connect to more systems for automation of the translation process.

We are further increasing the capacity of our Ai powered RAY Media platform given the substantial increase in data being processed, which was up 81% year-on-year. This new technology allows for a significant commercial uplift in the Media market and further extends our technology lead in the sector.

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We are working to further enhance our platform integration connectors with partners like AppTek going forward and investing R&D resources into advanced dubbing technology.

Substantial synergies achieved with NZTC, and M&A activity recommenced

Substantial synergy benefits relating to the acquisition and successful integration of Straker's most recent acquisition – NZTC – have been achieved.

Discussions are now progressing with potential M&A targets, with the objective of undertaking at least one material acquisition before the end of FY2021.

Stable cashflows and comfortable capital position

Q2 FY2021 unaudited cash collections were up 7% to NZ$7.8 million (Q2 FY2020: NZ$7.3 million) reflecting increased sales growth.

Operating net cash outflow for the quarter of NZ$(0.04) million, compared to an outflow of NZ$(0.3) million in Q2 FY2020. Within this cash outflow amount was NZ$(0.2) million in one-off redundancy and other costs associated with structural right-sizing.

Finance net cash outflow for the quarter of NZ$(0.8) million is comprised mainly of earn-out payments of NZ$(0.7) million. The payments reflect the successful integration of these previous acquisitions.

Straker Translations continued to increase its investment in platform and technology development over Q2 FY2021. The Company will continue to invest in R&D, enabling it to pursue the attractive opportunities presented by the global Enterprise and Media market segments.

The foreign exchange currency rates were stable in total over the quarter, having a positive FX impact of NZ$0.04 million, with the business closing Q2 FY2021 with a cash balance of NZ$7.7 million and no bank debt. This capital and liquidity position not only provides downside protection in the current market environment, but also M&A optionality.

Related party transactions

An amount of NZ$87,000 was paid to Directors in fees during Q2 FY2021 and a further NZ$20,000 was paid to a Director in relation to consulting services provided.

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

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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 and machine-learning 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

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Appendix to Quarterly Activity Report Quarter Ended 30 September 2020

Use of Funds Statement

Pursuant to ASX listing rule 4.7C.2, the Quarterly Use of Funds Report below sets out a comparison of actual expenditure on individual line items in the Use of Funds Statement since the date of admission to the ASX, against the prospectus, which was lodged with ASIC in October 2018.

Part 7.4 of Prospectus	**Prospectus Use of Funds**	**Funds Used to 30 Sep 2020**
	NZ$ '000	**NZ$ '000**
Payments of proceeds to selling shareholders	3,043	3,072
Investment in sales and marketing, product development, general corporate purposes and customer acquisition, including potential additional acquisitions	14,674	7,294
Working capital	1,957	1,957
Cost of the offer	3,370	3,461
Total Use of Funds	**23,043**	**15,784**

Proceeds from the IPO have been utilised in line with Part 7.4 of the Prospectus. Significant investment in product development and three completed acquisitions are clear indicators of the Company's commitment to its growth strategy.

The Company has successfully retained funds through difficult global economic circumstances to enable it to continue to carry out its stated business objectives and to act quickly to take advantage of opportunities as they arise.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Straker Translations Limited	
ABN	**Quarter ended ("current quarter")**
628 707 399	Q2 30 September 2020

Consolidated statement of cash flows	Current quarter $NZD'000	Year to date (6 months) $NZD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,802	14,725
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,974)	(7,613)
(c) advertising and marketing	(180)	(396)
(d) leased assets	(5)	(9)
(e) staff costs	(2,982)	(5,359)
(f) administration and corporate costs	(592)	(1,939)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	13
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	(38)	371
1.8 Other (provide details if material)		
Acquisition/integration payments	(75)	(165)
1.9 Net cash from / (used in) operating activities	**(44)**	**(372)**

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2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses		
	(c) property, plant and equipment	(9)	(39)
	(d) investments		
	(e) intellectual property	(241)	(630)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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**	**(250)**	**(669)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	-	25
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(38)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(703)	(1,907)
3.7	Transaction costs related to loans and borrowings	(12)	(28)
3.8	Dividends paid		
3.9	Other (provide details if material)		
	Lease Payments	(36)	(232)
3.10	**Net cash from / (used in) financing activities**	**(753)**	**(2,180)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,024	11,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(44)	(372)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(250)	(669)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(753)	(2,180)
4.5	Effect of movement in exchange rates on cash held	44	(272)
4.6	**Cash and cash equivalents at end of period**	**8,021**	**7,735**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $NZD'000**	**Previous quarter $NZD'000**
5.1	Bank balances	6,247	5,188
5.2	Call deposits	1,488	3,550
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**7,735**	**8,738**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $NZD'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	87
6.2	Aggregate amount of payments to related parties and their associates included in item 2	20

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7. Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $NZD'000	Amount drawn at quarter end $NZD'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	**-**	**-**

7.5 Unused financing facilities available at quarter end	**-**

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

8. Estimated cash available for future operating activities		$NZD'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(44)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,735
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	7,735
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	176

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2. This statement gives a true and fair view of the matters disclosed.

Date: 30-Oct-20

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

3. 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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