

29<sup>th</sup> July 2021

## ASX and MEDIA RELEASE

### STRAKER REVENUE GROWS AS ENTERPRISE STRATEGY DELIVERS

*Successful A\$25 million capital raising in June 2021 provides a strong balance sheet to take advantage of new growth activities. Strong organic growth highlights our technology advantage and global reach.*

#### Q1 FY 2022 OPERATING HIGHLIGHTS:

- Received ISO27001 certification, the gold standard for information security, which, importantly opens up new enterprise tender opportunities
- Nike, a marquee customer, renewed its SaaS contract for a further year
- Three new enterprise sales team members added to focus on enterprise growth opportunities as strategic alliance with IBM drives industry interest in our solutions
- Engaged in conversations with several M&A opportunities
- Significant increase in content volumes through RAY in June and continues into current quarter
- Lingotek performing in line with expectations

#### Q1 FY 2022 FINANCIAL HIGHLIGHTS<sup>1</sup>

- Unaudited revenue of \$11.4 million up 49% (64% in constant currency<sup>2</sup>) on prior corresponding period (pcp) and up 27% sequentially
- Revenue from IBM up 157% on Q4 2021
- Revenue growth rate moderated by Europe and North American (ex-Lingotek) operations, both of which are cycling off a strong Q1 2021, but sales pipeline building
- Gross margins improved to 57% ahead of the 48% in Q1 2021 and steady against the 58% achieved in Q4 2021
- Operating cash outflow of \$826k compared to Q4 2021 inflow of \$18k due largely to the completion of several large Lingotek projects, the associated revenue having been received in periods prior to acquisition, and upfront investment to service the IBM contract
- Total cash inflow of \$14.9 million following June's net \$25.9 million equity capital raising (A\$25m gross)
- Strong balance sheet with no debt and cash reserves of \$22.1 million

<sup>1</sup> All figures are in NZ\$ unless stated

<sup>2</sup> Constant currency comparisons are based on average exchange rates for the corresponding prior period.

**Straker Translations (STG)**  
NZ Company no. 1008867  
ARBN: 628 707 399

**Registered Address**  
Level 2, 49 Parkway Drive  
Rosedale, Auckland 0632

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

- FY2022 guidance reaffirmed for Revenue >\$50 million, +60% year on year, and an increase in Gross Margin
- Lingotek delivers its first full quarter contribution, with Q1 2022 revenue up 1% vs pcp (16% in constant currency) and up 18% sequentially

**Auckland, New Zealand** – Straker Translations (ASX: STG), a leading technology-driven translations provider today reports strong growth in revenue for the first quarter of the 2022 financial year. The company is benefiting from the full contribution of its recently acquired US business Lingotek and a ramp up in content linked to its strategic alliance with IBM.

### **Successful capital raise provides firepower for accelerating growth**

It also reports the success of its A\$25 million equity capital raising, completed just before the close of the June 2021 quarter. This funding has strongly positioned the company to accelerate its growth strategies. These include driving the adoption of its translation technology among global enterprise customers; increasing its share of the translation spend of its existing customers and driving the consolidation of the global translation sector.

### **Revenue up 49% as IBM ramps up content volumes**

Revenue for the three months to June 2021 rose 49% vs pcp to \$11.4 million from \$7.6 million. Revenue was also up 27% sequentially, principally reflecting the rapid increase in revenue from the IBM strategic alliance, which went live in January 2021.

### **Covid still affecting some markets but opens longer term opportunities**

These gains were moderated by Europe and the North American operations, both of which are cycling off strong quarters in the same period a year ago, and the lagging effects of Covid-19.

In response to the threats posed by the pandemic, Straker had reduced its spending on sales and marketing. However, to take advantage of emerging organic growth opportunities Straker has since increased investment, recruiting three new sales team members this quarter. It is seeing the results in a growing sales pipeline, with the benefits of this investment expected in coming quarters.

### **Margins remain strong highlighting Straker's technology advantage**

Straker's unique RAY and Lingotek technology platforms continue to provide a competitive advantage and have continued to drive improvements in gross margins for the quarter to 57% from 48% in Q1 2021 and in line with the 58% achieved in Q4 2021.

Lingotek's high margin SaaS revenue was responsible for the majority of the uplift when compared to the prior corresponding period. However, Straker has also seen margin improvements across the rest of its operations as it extracts efficiencies from the integration of the Ai-powered RAY translation platform into recently acquired

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companies such as New Zealand's NZTC - an example of our successful M&A strategy in action.

### **SaaS growth remains a focus for FY 2022**

SaaS revenue represented 11% of revenue in Q1 2022, down slightly on the 12% in Q4 2021, due principally to the dilutionary effects of the surge in IBM revenue.

CEO and Co-Founder Grant Straker said: "The last quarter has been another period of significant progress for the company.

"We have seen strong organic growth, due to the transformational strategic translation alliance we struck with IBM. Meanwhile, thanks to the support of existing and new investors in our recent and highly successful A\$25 million capital raising, we are now well positioned to accelerate our growth plans.

"Our alliance with IBM is making a strong and growing contribution to group revenue in line with our expectations. IBM content volumes in Q1 2022 are now substantially ahead of content volumes in Q4 2021 and we expect continued growth throughout the current financial year.

"We are pleased with the speed at which the team has worked to accommodate this dramatic increase in content, while still meeting IBM's high standards for delivery and quality. It is a testament to the commitment of our team and the resilience of Straker's translation management platform.

"Our success with IBM continues to validate the advantages of our technology and our trans-national reach with a globally-significant customer and a leader in AI-technologies and is driving industry interest in our solutions. Consequently, we believe the alliance is generating value for Straker well in excess of the contribution it is making to revenue.

"Meanwhile, the results from the IBM contract demonstrate the significant size of the prize. We are working hard to not only over-deliver on our commitments to IBM, but also bring the broader opportunities to fruition."

"Lingotek, meanwhile continues to deliver on our expectations. Revenues for Q1 2022 - the first full three-month contribution to Straker - are ahead of revenue posted in Q1 2021, when the company was under different ownership.

"Lingotek has benefitted from new contract wins, including Panasonic as a SaaS customer in Europe as well as a broad improvement in market conditions as the US economy slowly emerges from the pandemic. During the quarter it also renewed the SaaS contract with sports good manufacturer Nike, a marquee enterprise SaaS customer for a further year.

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"In addition to consolidating our presence in the North American market, Lingotek has delivered Straker new SaaS capabilities, which over the longer term will be a key driver of margin improvements across the business.

"Whilst the sales cycle for SaaS clients is longer than our traditional business. We remain very positive about our prospects. Our ability to secure these contracts with enterprise customers has been significantly enhanced with the successful certification of our information infrastructure against ISO27001, the gold standard for information security.

### **Research and development**

Our research and development team remains focussed on linking Lingotek's powerful suite of translation connectors and IBM's systems with the RAY platform.

We have completed development work on an application programming interface (API) that allows IBM to directly link its systems to the RAY platform and we are now testing that API. Once operative, it will accelerate the speed and efficiency of IBM translations, further contributing to margin improvements and service responsiveness.

We have meanwhile completed work on the first Lingotek connector that will give customers the choice to either link with the Ray translation platform or continue to use Lingotek's platform. Testing on this connector, for website software WordPress, is ongoing and the work programme will continue in the coming months.

We also continue work on building SaaS functionality into the RAY platform. The aim is to offer our customers the benefits that come from subscription translation services, including high value features such as advanced connectors and our validation platform.

### **Cash flows and funding**

We recorded a total cash inflow during the quarter of \$14.9 million, bringing our cash reserves at the end of the quarter to \$22.1 million.

The increase was largely due to the successful net \$25.9 million capital raising in June, which saw strong participation from our existing shareholders. It also saw the introduction of new institutions and private investors onto the share register.

Cash reserves at the end of the quarter stood at \$22.1 million up from \$8.7 million at the end of Q1 2021 and \$7.2 million at the end of Q4 2021.

Operating cash outflow for the quarter was \$826k, up from \$238k in Q1 2021 and \$18k inflow in Q4 2021.

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The outflow was largely due to the completion of several large Lingotek projects, the associated cash having been received in periods prior to acquisition. It also reflected continued investment in the people needed to support the roll-out of the IBM contract.

These pressures however were mitigated by the continued resilient operating performance in the face of the challenges of adverse currency movements and the COVID-19 pandemic.

Investing cash outflows of \$691k mainly reflected the company's investment in Research and Development.

Net financing cash inflows were \$16.4 million thanks to the capital raising, less the associated costs and the repayment of an \$8 million loan used to finance the acquisition of Lingotek in Q4 2021.

### **Summary and outlook**

Mr Straker said the Company was looking ahead to the rest of the year with confidence.

"With the support of our shareholders, we are well positioned to deliver on our commitments to IBM and other enterprise customers, while continuing to be a change maker in the global translations sector.

"The broader Straker family of operations continues to perform. We are looking forward to an easing in Covid-19 restrictions to drive improvements in trading conditions in the coming months. Our new hires in Europe and North America are already yielding a growing sales pipeline.

"Consistent with our core M&C growth strategy 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 on these discussions in the coming months.

"As we noted at the Full Year result, despite the disruptions it is causing to global markets, the pandemic is also 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.

"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 look forward to further updating shareholders at our annual meeting in late August."

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## Related party transactions

An amount of \$81k was paid to Directors in fees during Q1 FY 2022, \$6k was paid to a Director in relation to consulting services provided. A further \$135k was paid to an entity associated with a Director for final interest on a loan repaid in June 2021.

## Authorisation

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

### Corporate:

Grant Straker, CEO & Co-Founder  
E: [grant@strakertranslations.com](mailto:grant@strakertranslations.com)  
P: +64 21 512 484

### Investors:

Ben Henri  
E: [ben.henri@mcpartners.com.au](mailto:ben.henri@mcpartners.com.au)  
P: +61 473 246 040

David Ingram, CFO

E: [david.ingram@strakertranslations.com](mailto:david.ingram@strakertranslations.com)  
P: +64 21 591 984

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

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>Name of entity</b>
Straker Translations Limited

<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
628 707 399	Q1 30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$NZD'000</b>	<b>Year to date (3 months) \$NZD'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	10,085	10,085
1.2 Payments for		
(a) research and development	(1,495)	(1,495)
(b) product manufacturing and operating costs	(4,427)	(4,427)
(c) advertising and marketing	(256)	(256)
(d) leased assets	(2)	(2)
(e) staff costs	(3,769)	(3,769)
(f) administration and corporate costs	(962)	(962)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Acquisition/integration payments	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(826)</b>	<b>(826)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(59)	(59)
(d) investments	-	-
(e) intellectual property	(632)	(632)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(691)</b>	<b>(691)</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	26,962	26,962
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1,016)	(1,016)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(8,000)	(8,000)
3.7 Transaction costs related to loans and borrowings	(679)	(679)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)		
Deferred consideration	(649)	(649)
Lease Payments	(195)	(195)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>16,423</b>	<b>16,423</b>



<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,175	7,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(826)	(826)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(691)	(691)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16,423	16,423
4.5	Effect of movement in exchange rates on cash held	39	39
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>22,120</b>	<b>22,120</b>

<b>5.</b>	<b>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</b>	<b>Current quarter \$NZD'000</b>	<b>Previous quarter \$NZD'000</b>
5.1	Bank balances	22,120	7,175
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>22,120</b>	<b>7,175</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$NZD'000</b>
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	-
<p>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.</p>		

**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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

**7.4 Total financing facilities**

Total facility amount at quarter end \$NZD'000	Amount drawn at quarter end \$NZD'000
400	400
-	-
-	-
<b>400</b>	<b>400</b>

**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.

NZ\$400k unsecured NZ government loan for up to 10 years to support planned R&D activity, interest free if paid back within the first year, otherwise 3% p.a.

**8. Estimated cash available for future operating activities****\$NZD'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(826)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

22,120

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

22,120

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

27

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.

## 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: 29-Jul-21

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.