

31 January 2022

ASX and MEDIA RELEASE

Straker achieves 99% revenue growth and positive adjusted EBITDA

As signalled in early FY2022 revenues are ramping up significantly, highlighting an improving organic growth profile with EBITDA turning positive. Enhancing this growth is the acquisition of IDEST post quarter-end, which will add to revenue and positive EBITDA in Q4. The outlook is strong, driven primarily by better-than-expected organic growth and a modest contribution from M&A.

Q3 FY 2022 FINANCIAL HIGHLIGHTS¹

- Revenue of \$15m, up 99% vs pcp (up 101% in constant currency) and 26% vs Q2;
- Annualised run-rate² of \$60m;
- Approximately 50% of run-rate increase driven by organic sales growth;
- Positive adjusted EBITDA;
- Operating cash is positive with an inflow of \$34k driven by increasing sales and good cash collections, moderated by expansion of global sales & marketing capability and operational support to the IBM contract;
- Strong balance sheet with no debt and cash of \$17.5m;

Q3 FY 2022 OPERATING HIGHLIGHTS:

- IBM ramp up in-line with expectations and significant progress with API automation across the IBM businesses;
- Opened a Philippines office to relieve HR growth pressures as we rapidly scale. We now have 14 staff located in our Philippines office and will look to grow this resource in FY2023 as a counter to well publicised global talent constraints.
- North American new business team closed 5 new enterprise deals that will vary in annual revenue contribution for FY2023 from \$100-\$500k per year

¹ All figures are in NZ\$ unless stated

²To provide a clearer view of scale of our business we refer to 'annualised run-rate' (the Quarter multiplied by 4). In the same way that ARR gives the annual revenue run-rate at a point in time, this yields a better indication of how the business is growing.

- Lingotek had the best quarter in its company history off the back of a significant translation services project with an existing customer;
- Post Quarter-end we closed our 9th M&A deal with the purchase of IDEST which had LTM revenue of NZ\$6.6m and long-term contracts with major global institutions along with significant growth opportunities. No revenue was recorded in Q3 from IDEST.

Revenue up 99% as the business delivers on growth targets

The quarterly growth from a \$30m run-rate in the pcp to a \$60m run rate this quarter is a strong indicator that the company is well placed to deliver on its \$100m aspirational revenue goal. A roughly even split of organic and acquisition growth shows that the company has multiple growth opportunities, the systems, and, importantly, the people to deliver on them as well as a technology-based offering with a strong market fit.

Margins remain a strong focus

Margins remained stable in Q3 at 54%. We expect they will decrease slightly going into Q4 as we start to include IDEST margins that are lower than the overall Group margins. There is an opportunity to improve these over the next couple of quarters as we integrate IDEST on to the RAY platform and continue with IBM integration with our vendor pool.

CEO and Co-Founder Grant Straker said: "Increasing margins is a major driver internally to deliver increased EBITDA. With our annualised revenues now more than \$60m, a one or two percent increase in gross margins can have a significant impact on EBITDA. A strong internal focus on margins will deliver great returns and we have the team strongly focused on this".

Research and development

Our research and development team have been working on enhancements of the application programming interface (API) link between IBM and Lingotek's suite of connectors with the RAY platform. Job automation has also been a key focus with major changes to vendor assignments and automated tasks for increased efficiency gains.

Another focal point was significantly improving customer experience with an updated translation validation platform, better file management and a new analytics dashboard in the customer portal. Enhancements were also made to the Intelligence Application in the Lingotek system to provide more information to clients on their datasets, and to the quoting and invoicing systems.

Cash flows and funding

Operating cash inflow for the quarter was \$34k, up from the \$2.5 million outflow in Q2 FY2022. The majority of this is an increase in receipts from customers. Investing cash outflows of \$667k mainly reflected the company's investment in Research and

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Development. Net financing cash outflows were \$139k made up mostly of lease payments.

We recorded a total cash outflow during the quarter of \$0.77 million, a significant improvement on Q2 reflecting increasing sales and good cash collections moderated by expansion of global sales & marketing capability and operational support to the IBM contract.

Cash reserves at the end of the quarter stood at \$17.5 million down from \$18.2 million at the end of the second quarter.

Summary and outlook

Straker is well positioned to continue its organic growth path as it continues to drive towards its aspirational goal of \$100m in revenue. The inflection point in Q3 is a clear indication that this is achievable.

“We have market leading technology, a global footprint and offer our customers opportunities to automate and consolidate their global translation requirements with a single provider delivering significant productivity benefits and cost savings,” Mr Straker said. “The upgrade to our guidance for FY2022 largely reflects stronger than expected organic growth but also the continued execution of the Company’s M&A strategy with the acquisition of IDEST positively impacting in the current Quarter. The demonstration of accelerating and profitable growth supported by a robust net cash balance sees Straker head into calendar 2022 in a very strong position.

Related party transactions

An amount of \$102k was paid to Directors in fees during Q1 FY2022, with a further \$37k paid to a Director in relation to consulting services provided.

Zoom Presentation

The CEO will host a zoom presentation including a Q&A session on this quarterly cashflow update at 11am AEDT, Tuesday 1st February. You will need to register in advance for this webinar:

Topic: Straker Translations (STG) 4C – Q3 FY2022

https://us02web.zoom.us/webinar/register/WN_6kaiQVrjSL-_03ba_exlNQ

After registering, you will receive a confirmation email containing information about joining the webinar.

Authorisation

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

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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

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Appendix 4C

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

Name of entity		
Straker Translations Limited		
ABN	Quarter ended ("current quarter")	
628 707 399	Q3 31 December 2021	
Consolidated statement of cash flows	Current quarter \$NZD'000	Year to date (9 months) \$NZD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,564	32,825
1.2 Payments for		
(a) research and development	(1,275)	(4,362)
(b) product manufacturing and operating costs	(6,014)	(16,023)
(c) advertising and marketing	(288)	(869)
(d) leased assets	-	(5)
(e) staff costs	(4,249)	(12,335)
(f) administration and corporate costs	(704)	(2,515)
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	-	-
1.9 Net cash from / (used in) operating activities	34	(3,284)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(19)	(115)
(d) investments	-	-
(e) intellectual property	(648)	(1,907)
(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	(667)	(2,022)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	26,962
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	2	8
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(1,138)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(8,400)
3.7 Transaction costs related to loans and borrowings	(10)	(697)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)		
Deferred consideration	-	(649)
Lease Payments	(131)	(501)
3.10 Net cash from / (used in) financing activities	(139)	15,585

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	18,205	7,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	34	(3,284)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(667)	(2,022)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(139)	15,585
4.5	Effect of movement in exchange rates on cash held	21	-
4.6	Cash and cash equivalents at end of period	17,454	17,454

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$NZD'000	\$NZD'000
5.1	Bank balances	17,454	18,205
5.2	Call deposits	-	-
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)	17,454	18,205

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	139
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	Amount drawn at quarter end
\$NZD'000	\$NZD'000

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)	34
8.2 Cash and cash equivalents at quarter end (Item 4.6)	17,454
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	17,454
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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: 31-Jan-22

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.