

29 April 2022

ASX and MEDIA RELEASE

Straker FY22 revenue grows 79% to \$55.9m, topping guidance

Momentum continues to build towards \$100m aspirational annual revenue target, with growth in Q4 FY22 underpinned by strong sales to global enterprise customers and the first contribution from the Belgium-based translation provider IDEST, acquired in Q4.

Adjusted EBITDA positive for the second consecutive quarter as Straker consolidates its transition to profitable growth. The outlook remains strong supported by latent opportunities in recent acquisitions, including IDEST, our growing service reputation among global enterprises and the company's ongoing determination to be a leader in the consolidation of the global translations market.

FINANCIAL HIGHLIGHTS¹

- Unaudited FY22 revenue of \$55.9m up 79% on FY2021 result of \$31.3m (up 82% in constant currency) and ahead of guidance of 'more than \$50m' for FY22.
- Q4 FY22 revenue of \$17.4m up 94% vs Q4 FY21 and 15% on Q3FY22, lifted by acquisitions and continued organic growth. IDEST, acquired in Q4, contributes \$2.2m.
- Adjusted EBITDA of \$0.471m, positive for the second consecutive quarter.
- Operating cash is positive with an inflow of \$919k lifted by increasing revenue, good cash collections, moderated by the expansion of global sales & marketing capability and operational support to the IBM contract.
- Strong balance sheet with no debt and cash of \$15.1m.
- Strong enterprise pipeline driven by customers looking for technology-led solutions for localisation.
- Straker has a profitable and growth focused business model and will give guidance for FY23 on release of the full year results.

OPERATING HIGHLIGHTS:

- IDEST performing well and in-line with expectations. Integration programme reinforces the latent potential to come from cross selling Straker's global language translation capabilities.

¹ All figures are in NZ\$ unless stated.

- IBM volumes continue to grow in-line with expectations, system integration mostly completed and new partnership opportunities developing.
- Teams have been able to travel again to engage customers at industry conferences and directly face to face.
- Sustainability report completed to further enhance our credentials as we strive for B Corp certification.

Q4 FY22 revenues resilient, topping off a strong year

Straker Translations (ASX:STG) has closed out a strong financial year in the quarter ending 31 March 2022 supported by strong revenue from our landmark global translation agreement with IBM and a \$2.2m contribution from IDEST.

The result lifts unaudited revenue for the year to 31 March 2022 to \$55.9m, a figure well ahead of the guidance given in May 2021 for annual revenue 'above' \$50m.

The FY22 result reflects the first full year contribution from Lingotek acquired in February 2021 and IDEST. It was also boosted by strong organic growth led by our success in leveraging our global translation capabilities and our technological leadership with global multi-nationals.

Margins remain a strong focus

Margins eased slightly in Q4 to 52% reflecting the dilution caused by lower margin IDEST revenue. As highlighted in the third quarter we see considerable potential to drive margin improvements in the coming quarters as we integrate IDEST on to the RAY platform and continue to transition IBM translation jobs from third parties to our systems.

Straker continues to focus on driving margin improvements, recognising that incremental improvements can deliver a significant uplift in EBITDA given the company's scale. Q4 adjusted EBITDA was \$471k, the second consecutive quarter of positive EBITDA due to increasing economies of scale, including the set-up of a lower cost resource centre in the Philippines.

Research and development

We have continued to advance our vision of delivering a technology stack to meet the differing needs of our customers.

Our RAY translation platform meets the needs of those that want minimal involvement in the translation process, while the Lingotek subscription platform is directly targeted at those customers who wish to manage the translation process internally.

Our research and development team have advanced connections between Lingotek's suite of connectors and the RAY platform. Workflow between IBM and the RAY platform has also been enhanced as the new application programming interface that links IBM's systems with ours is further deployed across IBM's operations and we are seeing significant improvements in productivity as a result.

The best measure of this is operating revenue per project manager (the group's operating revenue divided by the number of project managers, the people who shepherd translations through the RAY translation platform).

At the start of the year the average revenue per project manager, was \$49k per month. But over the last year this has increased steadily and in the March quarter it stood at \$67K per manager

Cash flows and funding

Operating cash inflow for the quarter was \$919k, up from the \$34k in Q3 FY22. We recorded a total cash outflow during the quarter of \$2.2m from \$0.77m in Q3 due to the acquisition of IDEST for \$1.9m in net cash and an earn-out payment of \$0.3m regarding the Lingotek acquisition.

Cash reserves at the end of the quarter stood at \$15.1m from \$17.5m at the end of the third quarter.

Summary and outlook

CEO and Co-founder Grant Straker said: "We have turned in a strong fourth quarter that has topped off a vintage year for the company. Revenue growth of nearly 80% in a single year represents a significant achievement and demonstrates the transformation Straker has undergone.

"We see momentum continuing in the business. Our latest acquisition, IDEST, demonstrates the potential. The company has performed well since acquisition leveraging the strong relationships it enjoys with iconic institutions such as the United Nations and the European Commission, but until now has relied on providing French translation services.

"These relationships coupled with Straker's capability in translating numerous language pairs, and our track record delivering these services to blue-chip multinationals such as IBM, is a compelling customer proposition. It is also further validation of our strategy to be a leader in the consolidation of the translation sector.

"We see similar potential across our operations around the world from our presence in New Zealand through to Lingotek in the US. Meanwhile, the strength of our technology and the depth of talent within our business gives us the flexibility to deliver translation services in a way that is aligned with the needs of our customers.

"Straker is well positioned to continue its organic growth path as it continues to drive towards its aspirational goal of \$100m in revenue. The transformation we have achieved in the last year is a clear demonstration that this goal is well within our sights."

Related party transactions

An amount of \$118k was paid to Directors in fees during Q4 FY2022, with a further \$8k paid to a director in relation to consulting services provided.

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	Q4 31 March 2022	
Consolidated statement of cash flows	Current quarter \$NZD'000	Year to date (12 months) \$NZD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,578	50,403
1.2 Payments for		
(a) research and development	(1,514)	(5,876)
(b) product manufacturing and operating costs	(7,393)	(23,416)
(c) advertising and marketing	(42)	(911)
(d) leased assets	-	(5)
(e) staff costs	(6,173)	(18,508)
(f) administration and corporate costs	(1,537)	(4,052)
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	919	(2,365)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1,924)	(1,924)
(c) property, plant and equipment	(110)	(225)
(d) investments	-	-
(e) intellectual property	(550)	(2,457)
(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	(2,584)	(4,606)
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	9	17
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	(31)	(728)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)		
Deferred consideration	(344)	(993)
Lease Payments	(127)	(628)
3.10 Net cash from / (used in) financing activities	(493)	15,092

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,454	7,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	919	(2,365)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,584)	(4,606)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(493)	15,092
4.5	Effect of movement in exchange rates on cash held	(165)	(165)
4.6	Cash and cash equivalents at end of period	15,131	15,131

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	15,131	17,454
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)	15,131	17,454

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	126
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

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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)	919
8.2 Cash and cash equivalents at quarter end (Item 4.6)	15,131
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	15,131
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: 29-Apr-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.