STRAKER TO ACQUIRE US-BASED LINGOTEK

Translation technology acquisition will provide Straker with key connector technology, offer new enterprise translation relationships with major corporates, materially grow Straker's revenue and is forecast to be EBITDA break-even in FY22.

ACQUISITION HIGHLIGHTS:

- Binding agreement to acquire Lingotek business and assets for US$6.47 million (NZ$9.1 million[1]), comprising US$5.27 million in cash and US$1.2 million in shares at transaction completion plus deferred consideration.
- Extends and consolidates Straker's presence in the multi-billion-dollar US translation market;
- Establishes new relationships with 20 enterprise customers and partners, including Oracle, Nike, and Acquia;
- Adds strategic translation connector technology onto Straker's RAY Ai-powered technology platform;
- Lingotek generated US$7.9m (NZ$11.2m) revenue in CY20[2];
- The acquisition is expected to be EBITDA break-even in FY22;
- Lingotek's management team, including its founder/CEO to be aligned with acquisition success via a performance-linked earn-out structure and will continue to drive the business.
- Competitively priced acquisition with a material component of SaaS revenue; and
- Acquisition funded through a combination of new debt facility, equity and Straker's cash reserves.

Auckland, New Zealand – Straker Translations (ASX: STG), a leading global technology-driven translation services platform, today announces it has entered into a binding agreement with Lingotek, Inc to acquire (through a Straker US subsidiary) 100% of the 'Lingotek' business and all business assets from Lingotek, Inc for a combination of cash and share consideration.

Lingotek, which is based in Lehi, Utah and was founded in 2006, provides translation technology, website and software localisation, consultancy and document management. Lingotek has 51 employees.

Lingotek has developed a suite of advanced translation connectors, the software interfaces that allow customers to connect their systems with its translation management system. In the year ending December 31, 2020 Lingotek generated NZ$11.2 million (US$7.9m), of which around 40% is subscription-based Software-as-a-Service (SaaS) revenue.

The asset purchase agreement was signed on 21 January 2021 and is expected to be completed on 1 February 2021.   Completion of the transaction is not subject to any conditions precedent.

Strategic benefits

The acquisition consolidates and extends Straker's presence in the multi-billion-dollar US translation market, establishing new relationships with 20 global enterprises, including Oracle,

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[1] Straker has adopted NZD/USD 0.71c as a currency rate assumption for this transaction.
[2] Based on management unaudited financials.

Nike, and Acquia. It also offers Straker acquisition synergies, including the gains that will come from the integration of the RAY Ai-powered translation platform into Lingotek. The transaction will materially boost Straker's revenue and is expected to be EBITDA break-even in FY22.

Founder and Chief Executive Grant Straker said regarding the proposed acquisition:

"We are delighted to have reached this agreement to acquire Lingotek. A key element of our strategy is to accelerate growth through the acquisition of companies that have relationships with global enterprises and/or key technology complimentary to our RAY Ai powered translation platform. We then realise the latent value in these relationships by upselling these companies on the gains that come with our global reach and our advanced RAY platform. This transaction is consistent with that long standing growth strategy.

"Our approach was most recently validated by the transformative agreement we struck with IBM in November, when that Fortune 500 company agreed to make Straker its strategic translation provider. That agreement emerged out of a relationship between IBM and Spain's MSS, which we acquired in 2018.

"Lingotek offers similar potential. It represents a fantastic opportunity to acquire enterprise customers, SaaS revenue, a US-based team of enterprise salespeople and an in-market tech team.

"Meanwhile the Lingotek's technology offers strong synergies with Straker's RAY platform with minimal overlap. Notably, over several years Lingotek has invested and innovated in advanced translation connector technology.

"These connectors will position us with the most advanced technology in the industry and represent a strategic capability for Straker. They will dramatically increase the number of companies around the world to which we can seamlessly connect our RAY translation platform.

"We are also delighted Lingotek's founder and CEO Jeff Labrum has agreed to join Straker Translations and realise the considerable potential we see in combining our businesses, our technologies and leveraging Straker's global reach," Mr Straker said.

Founder and Chief Executive of Lingotek, Jeff Labrum, stated:

"It is with great anticipation that Lingotek joins Straker Translations. Lingotek's suite of advanced translation technology will dovetail into Straker's world-leading RAY Ai-powered translation platform, ensuring RAY remains the most advanced technology platform in the industry. Combining our technology and strategic customer relationships with RAY, as well as Straker's global service offering, will help underpin Straker's ongoing growth, particularly in the US.

Combining with Straker will give us a truely global channel for our SaaS platform and innovative technology, which is a really exciting prospect.

Lingotek customers will also benefit from having a global supplier with productivity enhancing technology, great people and a world leading service offering.

Personally, I am very pleased to be joining the Straker team, as are my key senior colleagues, as Straker becomes a major player in the global translation sector providing the industry's best Ai driven solutions and processes for the benefit of our customers."

Transaction detail

Straker has agreed to an upfront payment on completion of US$6.47 million (NZ$9.1m[3]) for Lingotek, comprising US$5.27 million in cash and US$1.2 million in Straker ordinary shares at an issue price of AU$1.59 per share[4] The new shares will be issued under the Company's 15% placement capacity under Listing Rule 7.1.

Following completion it will also provide an additional US$0.71 million of working capital to drive growth from the Lingotek platform connectors across the Straker Group.

In addition, Straker has agreed to pay earn-out consideration to the Lingotek vendors of up to an additional US$3.13m in cash over two years contingent on hitting revenue growth targets. The Company believes this structure strongly aligns the vendors with the ongoing success of the transaction.

The acquisition is to be funded via a mix of equity, debt and cash reserves:

- NZ$1.7m (US$1.2m) in new Straker shares issued to Lingotek vendors at AU$1.59 per share as initial upfront consideration;[5]
- NZ$7.4m (US$5.27m) via a new debt facility, as initial upfront consideration; and
- remaining NZ$4.4m (US$3.13) cash earn out consideration to be paid over the two year earn-out period if the full earn-out is achieved, presently expected to be funded by Straker's existing cash reserves at the relevant time.

Lingotek's management team, including its founder/CEO, will continue with the Lingotek business after acquisition and will continue to manage Lingotek operations from Lingotek's US-based head office.

New debt facility terms

Straker has entered into two new debt facilities for a total committed amount of NZ$8.0m as follows:
- a secured simple term debt facility of NZ$6.5 million, provided by a syndicate of high-net-worth investors, some of whom were early Straker investors, with an interest rate of 10.50% p.a.; and
- a second unsecured simple term debt facility of NZ$1.5 million, provided by an entity associated with Steve Donovan, a Straker non-executive director, with an interest rate of 11.50 p.a.;
- both facilities have a 12-month maturity and are otherwise on the same terms, with the exception of the security arrangements and interest rate;
- both facilities will be fully drawn at transaction completion to fund the initial cash consideration and initial Lingotek working capital.

Following completion of the acquisition, Straker's balance sheet will remain strong with expected pro-forma gearing of approximately 1% on a net debt to net debt plus equity basis.[7]

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[3] Straker has adopted NZD/USD 0.71c as a currency rate assumption for this transaction.

[4] Being the volume weighted average price for Straker shares on the ASX in the 10 consecutive trading days prior to 21 January 2021. The US$1.2 million share consideration will be converted from USD to AUD based on the USD/AUD currency rate at the last business day immediately preceding completion on 1 February 2021.

[7] Pro forma net debt of approximately $1 million, reflective of current net debt of -$7 million plus additional net debt of $8 million to partially fund the upfront consideration.

"The combination of Straker and Lingotek represents a significant step forward for our business. In line with our strategy to drive growth through acquisitions we are continuing discussions with several other companies in Europe, the USA and the Asia Pacific region. We look forward to reporting our progress in the coming year," Mr Straker said.

Online Zoom Presentation

Straker will hold an online Zoom webinar presentation outlining the acquisition and taking Q&A on Thursday 21 January at 1pm AEDST. Jeff Labrum the founder and CEO of Lingotek will also be on the call.

When: 21 January 2021 at 1:00 PM Canberra, Melbourne, Sydney

Register in advance for this webinar:
https://us02web.zoom.us/webinar/register/WN_UsHt4VuZTEWT5hwT3WL1VA

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

This announcement has been approved for release to the ASX 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 www.strakertranslations.com