MARKET RELEASE

STRAKER'S YEAR OF TRANSFORMATION DRIVES POSITIVE OUTLOOK

AUCKLAND, 25 May 2021 – Straker Translations (ASX: STG), today announces a strong outlook for the 2022 financial year as it reaps the benefits from its leadership in the consolidating global language services sector.

The company, releasing its financial results for the year to 31 March 2021, said it expects revenue for the 2022 financial year to reach over $50 million at an improved gross margin, an uplift of more than 60% on the $31.3 million revenue it reported today.

Performance highlights FY21

- Revenue for the year to the end of March 2021 rises 13% to $31.3 million from $27.7 million with gains from acquisitions moderated by Covid-19 disruptions to sales.
- On a proforma basis[1] unaudited revenue exceeds $41 million for FY21.
- Lingotek acquisition contributes $1.9 million in the two months since completion, while the IBM strategic alliance goes live, driving a surge in translation and product development activity.
- Adjusted EBITDA loss narrowed 66% to $0.2 million from a loss of $0.6 million in the prior year; with Lingotek subscription revenue driving a margin recovery in the fourth quarter.
- Net losses after tax increase to $6.0 million from $2.5 million in the prior year with revenue gains offset by adverse foreign exchange movements and higher interest costs.
- Operating cash flow in the second half of the year was cash flow positive.
- Cash reserves at year-end of $7.2 million down from $11.2 million at the end of the prior financial year, supported by an $8 million loan to fund the Lingotek acquisition.
- Forecasts revenue for the year to 31 March 2022 of over $50 million at an improved gross margin.

The positive financial outlook follows the transformational agreements it struck in the third quarter – its appointment as strategic translations provider to International Business Machines Corp (IBM) and the acquisition of the US-based Lingotek in a $8.9 million cash and shares deal.

Total revenue for the 2021 financial year was $31.3 million, a 13% improvement on the prior year's $27.7 million, despite the disruptions caused by the Covid-19 global pandemic. The improvement

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[1] Includes Lingotek revenue for the year to the end of March 2021.

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

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

www.strakertranslations.com
investors@strakertranslations.com

reflected the contribution of acquisitions including Lingotek in the fourth quarter of the year and NZTC in the last quarter of the 2020 financial year.

It also follows a growing recognition among enterprise customers of Straker's global reach and the benefits of the company's Ai-Powered RAY translation platform. Including a full year contribution from Lingotek, unaudited proforma revenues for the 2021 financial year have risen to $41.2 million, a 48% improvement on the prior year.

Adjusted EBITDA loss for the period, which excludes non-recurring acquisition, integration and other non-operating costs narrowed 66% to $0.2 million from a loss of $0.6 million in the prior year. Net losses after tax were $6.0 million, against the $2.5 million in the same period last year with revenue gains offset by adverse foreign exchange movements and higher interest costs.

Gross margins were slightly weaker falling to 53.4% from 54.8% in the same period a year ago, largely reflecting the short-term dilutionary impact that acquisitions have on group margins and the challenges of COVID-19. However, in the final quarter of the year gross margins improved to 57.8% with the high-margin Lingotek subscription revenue making a strong contribution to the uplift.

Operating costs increased 12% to $19.7 million from $17.6 million in the same period a year ago, with the increase driven by the costs of scaling up for the IBM contract and the effect of consolidating Lingotek. However, these increases were moderated through tighter management of costs, reaping the synergies of recent acquisitions and a resilient performance across the group's broader operations.

Chief Executive and Co-Founder Grant Straker said: "Through our AI driven technology, we are re-imagining how we can break down the barriers of language and communication on a global scale, to make it easier for our customers to grow and prosper.

"It is very pleasing to be reporting on a year where we have taken significant steps towards that vision and at the same time have delivered what can only be described as a transformational year."

"Our strategic priorities are clear. We are focussed on driving consolidation in the translation sector, building repeating revenues - particularly among the large global enterprises that benefit from Straker's global reach and our Ai-Powered RAY translation platform - and continuing to consolidate our technological leadership."

"What has been so satisfying for the Board and Management is that we have again successfully executed on those priorities. Moreover, we have done so while delivering financial and operational results that unambiguously validate the approach we are taking in global language services markets."

"The transformational agreements negotiated in the third quarter of the 2021 financial year best illustrate these points. The IBM agreement offers Straker significant new and growing revenue and is a validation of our acquisition strategy as it expands on a relationship IBM had with Spain's MMS, a business we acquired in 2018."

It furthers our ambitions with global enterprise customers as the alliance is an endorsement of our technology platform and our proposition by one of the world's largest and most successful technology companies. Finally, with IBM being a world leader in artificial intelligence (AI), we expect the relationship to further strengthen our technological leadership in the translation sector.

The Lingotek acquisition extends our position in the important US language services market, adds $11 million in annual incremental revenue and establishes new relationships with enterprise customers that over the longer term offer us new opportunities.

"Lingotek also strengthens our technology stack by giving us access to translation connectors that allow our customers to seamlessly integrate their business applications with our translation platform. These connectors will further enable us to deliver the fastest, easiest and smartest translations to our customers around the globe."

"Finally, Lingotek also establishes a new subscription revenue stream for Straker that we believe will grow in importance and drive growth in shareholder value."

FUNDING AND CASHFLOWS

Straker remains well funded, with our cash position benefitting from an $8 million loan to help finance the Lingotek acquisition. We ended the year with $7.2 million down slightly on the $7.3 million at the end of the third quarter and $11.2 million at the end of the prior financial year.

Operating cash outflow for the year improved significantly to $0.3 million from an outflow of $2.3 million in the prior year, with the second half of the year operating cash flow positive. The outcome reflected a resilient performance in the face of adverse currency movements and the slowdown and disruption in the industry caused by COVID-19.

BUILDING ON OUR STRENGTHS

"Our immediate focus for the current year is to execute on the opportunities that have emerged from the IBM alliance and the acquisition of Lingotek," Mr Straker said.

"Content delivered to IBM since the alliance went live in January 2021 is growing exponentially, with volumes at the end of April substantially ahead of February. We expect strong growth in volumes to continue over the coming months."

“We are ramping up resources to meet IBM’s needs and continue to build on the enterprise relationships that exist across the Straker family of global operations. Global companies are now looking for global suppliers with productivity enhancing technology like our RAY platform, this is creating a significant opportunity for organic growth.”

“The sales cycles for these companies take longer as these customers seek validation of our technology and assess our capabilities across the breadth of languages and applications they need. However, as the IBM contract shows, the rewards to Straker can be significant.”

“Finally, we remain committed to continuing to participate in the consolidation of the global translation sector. Despite the challenges of COVID-19, the pandemic is also creating new opportunities for the company.”

“The deferral or cancellation of work due to COVID-19 has stressed smaller translation companies that were already struggling to adapt to the transformation and disruption in the sector. This has had the effect of increasing the pressures for consolidation.”

“We are engaging with a broad range of companies that offer new relationships, geographies, capabilities, and are synergistic with our existing operations.”

OUTLOOK

“Straker is committed to maintaining its position as a change maker in the global language services sector. We will achieve this through our technological leadership and innovation, strong relationships with the world’s leading enterprise companies and a committed team,” Mr Straker said.

“The year ahead remains uncertain. We are encouraged by the success of public health and COVID-19 vaccination programmes in many of our core markets. These successes hold out the prospect for a return to normal trading conditions, but we are taking nothing for granted.”

“Nevertheless, we remain optimistic. We expect to continue to grow in the year ahead with progress underpinned by the IBM alliance and the opportunities that have emerged with the acquisition of Lingotek and others before it. We also expect to reap the benefits that come with the integration of these companies into Straker and the ongoing focus on carefully managing our costs and cash reserves.”

“As a direct result we now expect revenue for the year to 31 March 2022 to reach over $50 million at an improved gross margin.”

“We look forward to providing a further update to shareholders at our annual meeting in August.”

Further detail on our financial performance is covered in our 2021 annual report also released to the ASX today and available on the investor section of our website:

https://www.strakertranslations.com/about-us/investors/

Investor Webinar
Straker management will host a Zoom presentation including a Q&A session on the Company's FY21 results.

When: Tuesday May 25, 2021 11:00 AM Canberra, Melbourne, Sydney
Topic: Straker FY21 Full Year Results Presentation

Please pre-register through the following link:
https://us02web.zoom.us/webinar/register/WN_kz5XIXZ6TVOMvzUUsLoiBw

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.

Corporate:
Grant Straker, CEO & Co-Founder
E: grant@strakertranslations.com
P: +64 21 512 484

Investors:
Ben Henri
E: ben.henri@mcpartners.com.au
P: +61 473 246 040

David Ingram, CFO
E: david.ingram@strakertranslations.com
P: +64 21 591 984

About Straker Translations:
Based in New Zealand, Straker Translations has established itself as an AI Language Services Agency with world leading AI and data driven technology 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 "Ai-Powered 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, Ai-Powered RAY 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 please go to www.strakertranslations.com

STRAKER

FY21- FULL YEAR RESULTS PRESENTATION

Presented By: Grant Straker

The zoom presentation will begin shortly.
Thank you for waiting

Disclosure Statement

This presentation is given on behalf of Straker Translations Limited ASX:STG (Company number NZ: 1008867 / AU: ARBN 628 707 399)

Information in this presentation:

- Is for general information purposes only, and is not an offer or invitation for purchase, or recommendation of securities in Straker Translations Limited (Straker)
- Should be read in conjunction with, and is subject to, Straker's latest and prior interim and annual reports, including Straker's Final Report for the period FY21 ended 31 March 2021, and Straker's market releases on the ASX
- Includes forward-looking statements about Straker and the environment in which Straker operates, which are subject to uncertainties and contingencies outside of Straker's control - Straker's actual results or performance may differ materially from these statements
- Includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance
- May contain information from third parties believed to be reliable; however, no representations or warranties are made as to the accuracy or completeness of such information, and

All information in this presentation is current at 31 March 2021, unless otherwise stated.

All currency amounts are in NZ dollars, unless otherwise stated.

FY21 HIGHLIGHTS

Progressed **delivery on our IPO** growth aspirations and well placed to deliver on getting to $100m in revenue

Strong cash management and improved profitability

Transformational contract win with IBM from 1 to 55 languages

Repeat revenue underpinned our core business including SaaS revenue

Milestone US acquisition LingoTek providing access to blue chip customers and some SaaS revenue

Significant number of **new acquisition opportunities** on the market post a year of global COVID disruption in the industry

FY21 - CONTINUED REVENUE GROWTH

13%
YoY Revenue Growth

$31.3m
Revenue for FY21

$41.2m
Proforma revenue for FY21*

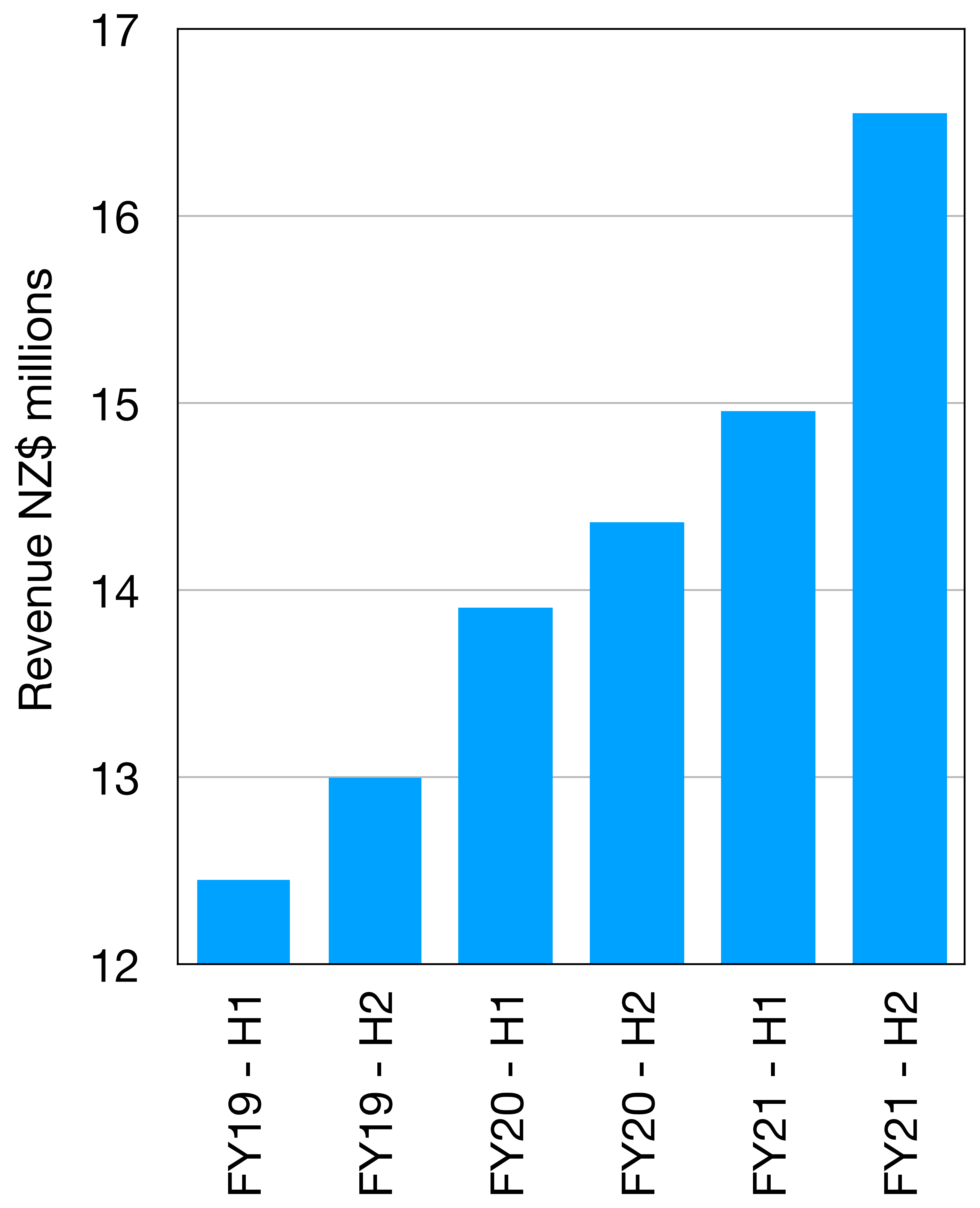
Strong Growth in a COVID affected year

The year ended strongly with the Lingotek and IBM deals having an impact in Q4

Market opportunity and enterprise pipeline very strong

Accelerated revenue in Q4 made for a strong finish to the year

Delivering strong growth since IPO



*Includes full year of Lingotek revenue

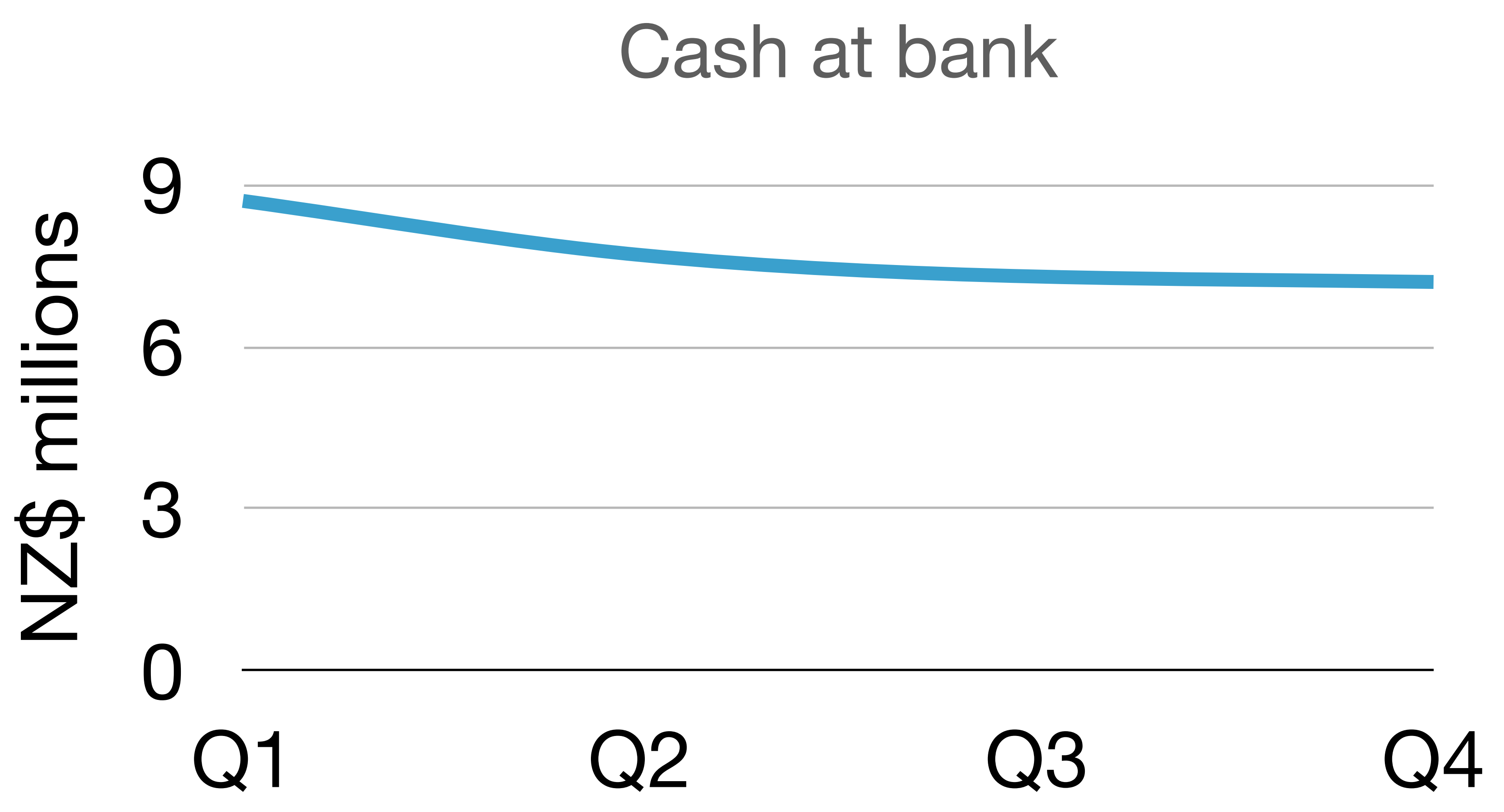
STRONG BALANCE SHEET TO SUPPORT GROWTH PLANS AND POSITIVE CASHFLOW

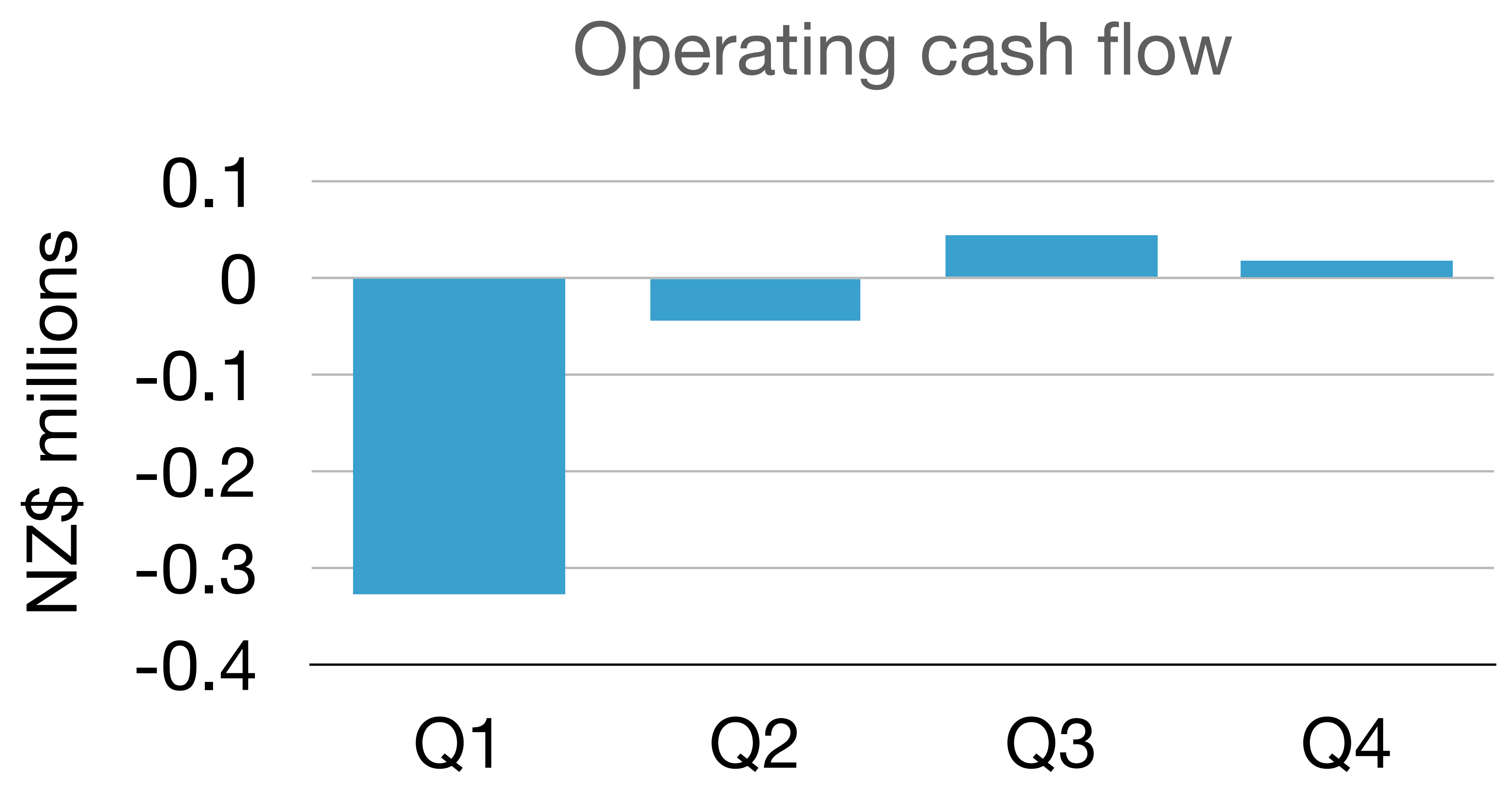
Operating cashflow positive for the Half Year

$7.2m
Cash at bank

($320k)
Operating cash outflow

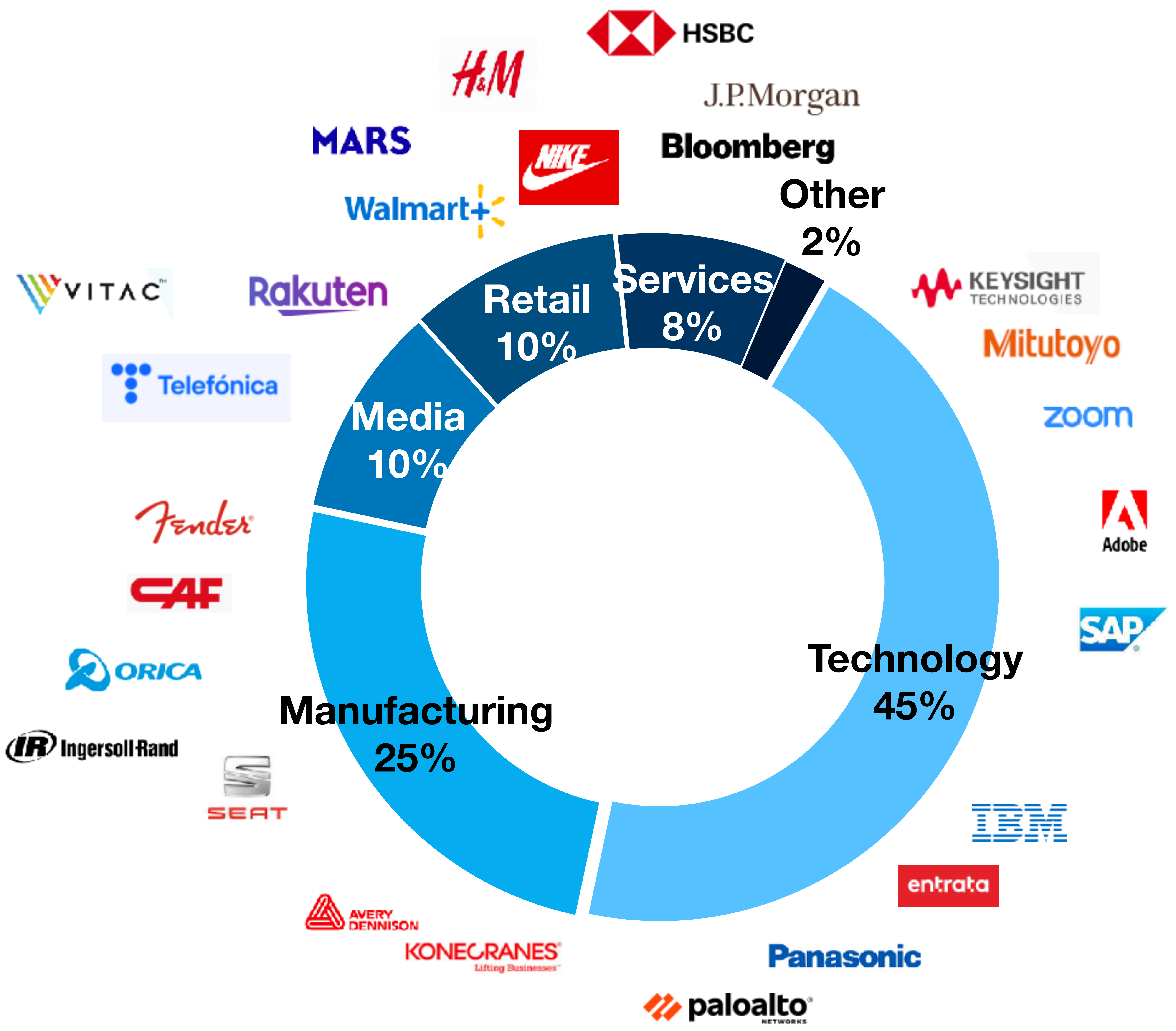
H2 Cashflow
Positive operating cashflow for H2






FOCUS ON GROWTH

VERTICAL INTEGRATION FOCUS



We currently service only a portion of translation needs for some enterprise customers and have a **significant untapped customer wallet** opportunity

We see strong potential to **increase our SaaS offering in** the large technology vertical, as they often prefer this type of service from suppliers

We are seeing success running **global marketing** campaigns with **vertical integration**

FULL YEAR - IBM GAINS MOMENTUM

Majority of Q4 was spent **building connectors** and integrations into IBM content systems

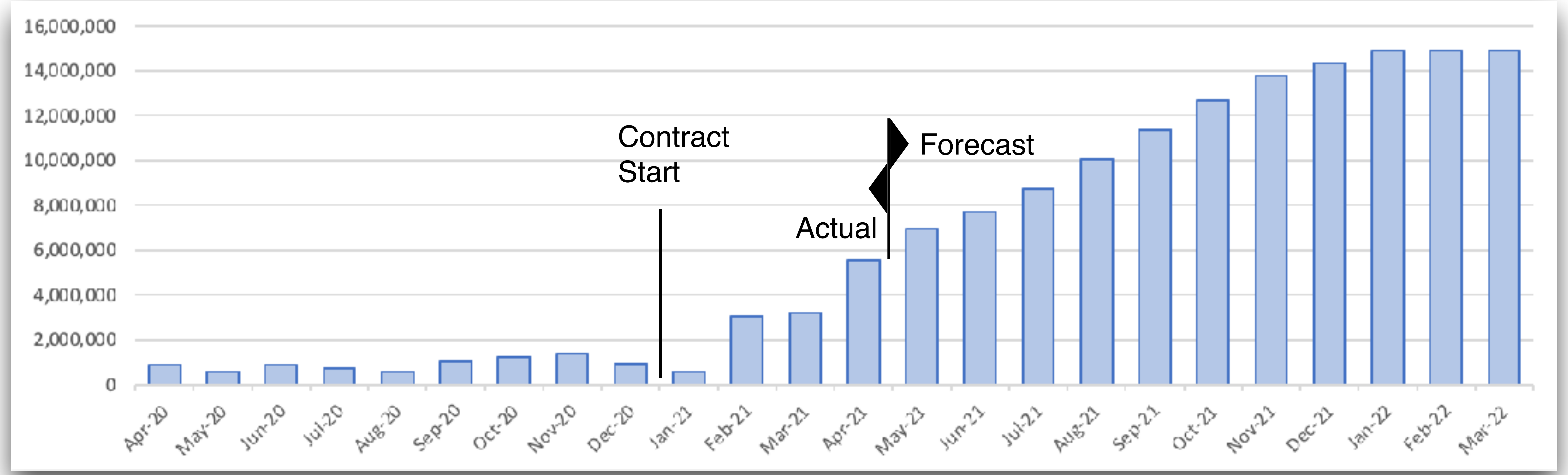
IBM Think21 Media project underway, **20x more throughput** than last years Think20 project

March saw **content flow though in significantly greater volumes** as first round of content connectors were completed

Around 25% of monthly **content flow onboarded**

Content onboarding planned schedule

Word volume



FULL YEAR SAAS IMPACT POSITIVE

Q4 was our first quarter with a portion of our business on a SaaS revenue model

42%
Of Lingotek revenue is SaaS

$6m
Of pro-forma SaaS Revenue

Enterprise SaaS Customer WIN
Panasonic Signs up to SaaS platform

INCREASE FOCUS ON SAAS GROWTH FOR FY22

Integration of Lingotek into RAY

Rapid integration of Lingotek Translation Management System(TMS) into Straker's translation services engine to provide a highly competitive offering for Enterprises

Growth of Existing SaaS products

Growing the existing SaaS revenue through aggressive marketing and sales campaigns

Deployment of new SaaS products

We will offer advanced features in RAY on a SaaS model

ACQUISITIONS INDICATOR FOR FUTURE ENTERPRISE GROWTH

Added Lingotek as our 8th successful acquisition and gained access to significant global accounts

Eurotext	COM	Elanex	Lingotek	On Global	NZTC	EULE	MSS
Ireland	Spain/USA	USA	USA	Spain	NZ	Germany	Spain

As we acquire companies we grow significant relationships with global companies, get margin uplift and have the opportunity to grow the customer wallet.

The best example of this is MSS where we grew a relationship with IBM we could take global.

There remains a strong pipeline of acquisition opportunities

OPEN

We are in advanced discussions with a number of potential acquisitions

FY22 OUTLOOK

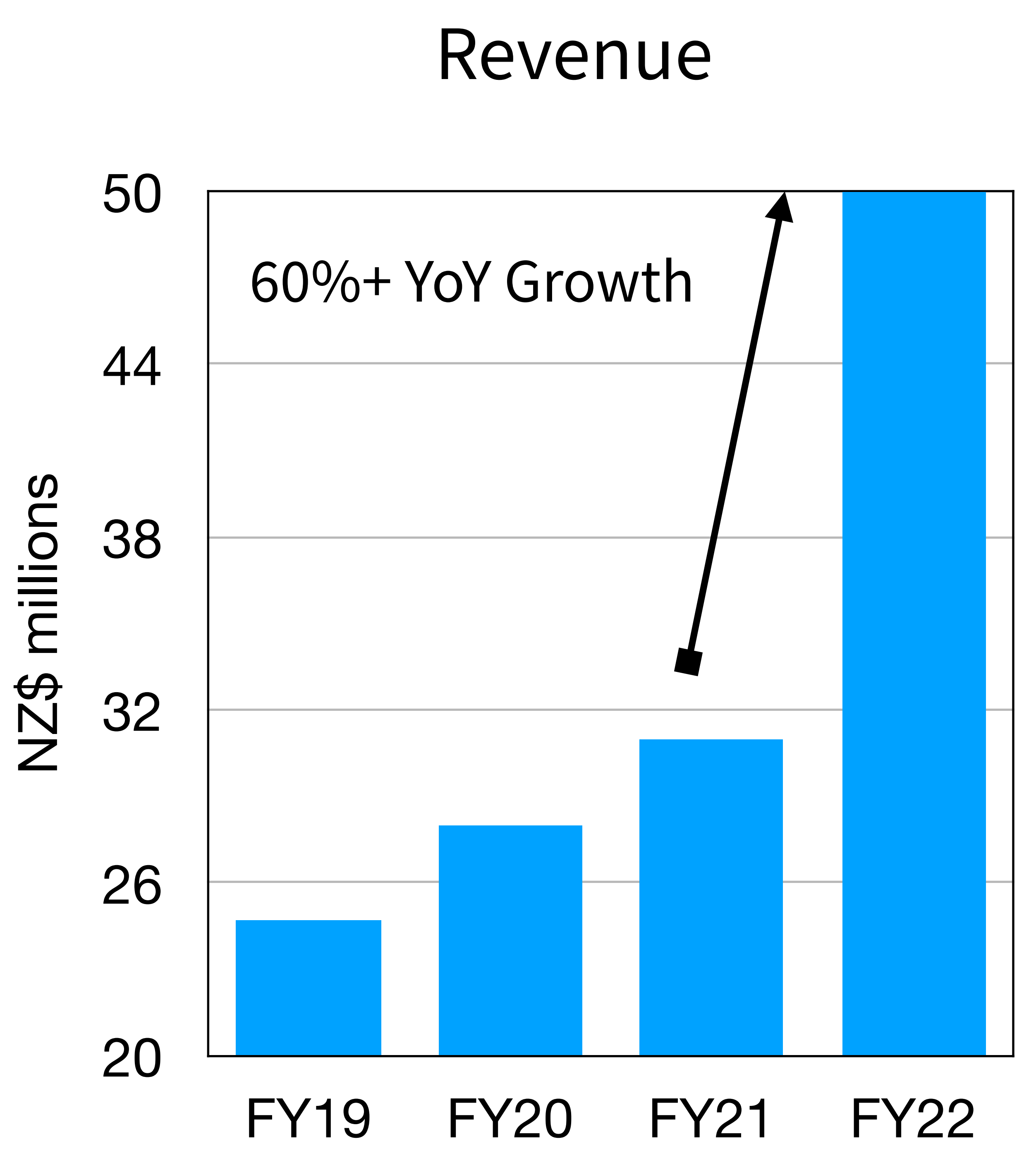
~$10m
Organic growth

93%
Of revenue from repeat or SaaS customers

>$50m
Revenue guidance for FY22

Key Objectives for FY22

- ✓ Continue successfully onboarding IBM
- ✓ Continue successful integration of Lingotek
- ✓ Organic sales growth expected from investment in channels and people along with a higher gross margin for FY22
- ✓ Covid will have a positive effect on our M&A opportunities as many LSPs have struggled and founders are looking to exit
- ✓ Steady cashflows, higher gross margins and improved profitability once initial IBM costs have been assumed
- ✓ Build out new SaaS products and increase SaaS revenue



Financial Statements

Financial Performance

	2021 $000	2020 $000
Revenue	31,322	27,736
Gross Margin	**16,718**	**15,200**
Gross Margin %	*53.4%*	*54.8%*
Other Income	562	62
Depreciation & Amortisation	(1,801)	(1,263)
Operating expenses excluding D&A	(17,888)	(16,377)
Operating expenses	**(19,689)**	**(17,640)**
Percentage of operating revenue	*-62.9%*	*-63.6%*
Loss from trading operations	**(2,409)**	**(2,378)**
Percentage of operating revenue	***-7.7%***	***-9.0%***
Amortisation of acquired intangibles	(1,431)	(1,155)
Acquisition & Integration costs	(509)	(772)
Impairment of intangible assets	-	(799)
Operating loss before net finance (expense)/income	**(4,349)**	**(5,104)**
Net Finance income / (expense)	(1,896)	2,392
Loss before income tax	(6,245)	(2,712)
Percentage of operating revenue	*-19.9%*	*-9.8%*
Income tax credit	229	190
Net loss after tax	**(6,016)**	**(2,522)**
EBITDA[1]	(1,117)	(1,887)
Adjusted EBITDA[1]	(198)	(581)

- Operating Revenue growth of 13% YOY (15% constant currency) driven by acquisitions including Lingotek and NZTC as well as a growing recognition of Straker's capabilities from global enterprises.
- Gross Margin % slightly down, impacted by COVID, but improvement in 2nd half (up 4.3 basis points) driven by continuing efficiencies in the translation process and the addition of higher margin subscription revenue from Lingotek in February.
- EBITDA loss decreased - reflecting strong revenue growth, and a decision to reduce sales and marketing spend during H1 FY21 against a backdrop of COVID uncertainty.
- Full year net loss of $6m was up, due principally to unrealised foreign exchange losses (which reversed a $2.4 million gain in finance expenses in the prior year to a loss of $1.9 million), higher interest cost and the amortisation of intangible assets from recent acquisitions.

Cashflow

	2021 $000	2020 $000
Receipts from customers	31,444	27,125
Other operating cash flows	(31,764)	(29,464)
Operating cash flow	**(320)**	**(2,339)**
Capital Investment	(1,688)	(1,431)
Free cash flow	**(2,008)**	**(3,770)**
Investment in acquisitions	(7,202)	(1,470)
Investing cash flow	**(8,890)**	**(2,901)**
Proceeds from borrowings	8,400	-
Interest & transaction costs paid	(444)	-
Net capital raise	73	(157)
Lease Liability	(462)	(535)
Deferred consideration and contingent payments	(1,937)	(1,510)
Net financing cash flow	**5,630**	**(2,202)**
Net cash flow	**(3,580)**	**(7,442)**
Open bank balance	**11,228**	**17,669**
Foreign exchange	(473)	1,001
Closing bank balance	**7,175**	**11,228**

- Receipts from customers were up 16% to $31.4 million, a figure which remains closely aligned to revenue growth with the differences reflecting the timing of payments.
- Operating cash outflows for the year were close to break-even at $0.3 million, an 86% improvement from an outflow of $2.3 million in the prior year. This reflects an improved operating performance and tight cash management.
- Free cash outflow improved 47% to $2.0 million from $3.8 million in the prior year despite an 18% increase in capital investment.
- Investing cashflows included $7.2 million to acquire Lingotek and $1.7 million in capital investment.
- Financing cashflows benefited from an $8.0 million loan to fund the Lingotek acquisition offset by $1.9m in deferred consideration payments for past acquisitions.
- Operating cash outflow improved significantly to $0.3 million from an outflow of $2.3 million in the prior year, with the second half of the year operating cash flow positive.

Financial Position

	2021 $000	2020 $000
Cash & cash equivalents	7,175	11,228
Trade receivables	5,752	5,854
Other assets and prepayments	3,074	1,518
Total Current Assets	**16,001**	**18,600**
Plant & equipment	335	289
Intangibles - SW & acquired	28,799	13,391
Intangibles - right of use assets	653	1,049
Total Non–current Assets	**29,787**	**14,729**
Trade payables & accruals	5,626	3,800
Contract liability	5,234	600
Contingent & deferred consideration	1,435	1,980
Loans & borrowings	8,400	-
Other current liabilities	1,442	931
Total Current Liabilities	**22,137**	**7,311**
Contingent consideration	1,899	872
Lease liabilities	334	738
Deferred tax liability	1,357	943
Total Non-current Liabilities	**3,590**	**2,553**
Net Assets	**20,061**	**23,465**

- Trade receivables: Effective credit management with receivables reducing by 2% year on year despite 13% revenue increase and addition of Lingotek's receivables.
- Intangibles – SW & acquired: $15.4m increase reflects purchase of Lingotek in February.
- Contract liability: Increase reflects deferred revenue balance from Lingotek acquisition where subscriptions and some language services are paid up front.
- Loan and borrowings: $8m loan to fund the acquisition of Lingotek. $0.4m loan from NZ Government to fund R&D.

Thank You

Contact:

CEO
grant@strakertranlsations.com

CFO david.ingram@strakertranslations.com