

# AI-powered translator seeks 2017 listing

## Exclusive

Paul Smith

A New Zealand-based tech start-up that uses artificial intelligence-powered software to provide online language translation services has raised \$NZ5 million (\$4.78 million) in a funding round led by ASX-listed investment firm Bailador, and plans an ASX IPO in 2017.

Straker Translations has developed a system known as the RAY technology translation platform, which learns on the job and is used by more than 10,000 small and medium-sized clients in over 20 countries for translation services.

The company was already backed by Bailador in an earlier \$NZ6 million round in 2015, and company founder and chief executive Grant Straker told *The Australian Financial Review* the fresh funding would be used to acquire rival translation firms that had fallen

behind the tech curve. Mr Straker said the company was targeting a listing on the ASX next year to raise further capital for acquisitions, and was in the process of engaging an investment bank to run the listing process.

He said he expected the company to be valued above the \$100 million mark upon its initial public offering.

"There are a number of comparable listed tech companies on the ASX that give us a good deal of confidence around how the market will view us as a listed entity," Mr Straker said. "Our valuation models are based on what we can deliver in future growth and EBIT. We will be a listed high-growth and profitable tech company, with a strong competitive advantage in a huge industry so, if anything, we are probably conservative in our valuation metrics."

Mr Straker said there was a large range of companies he could target for acquisition, ranging from firms that



Straker Translations CEO Grant Straker is looking to acquire rival firms.

were breaking even off revenues of \$2 million to more established players making solid profits off revenues around \$15 million.

Most of these companies have been around for a number of years and have loyal customer bases as a result, he said. Application of Straker's technology to these businesses would significantly increase profit margins. The company is seeking further global

expansion through its acquisitions. "We are seeing good growth in Germany and buying a company there would have some advantages," Mr Straker said. "We are actively in discussions with some potential acquisitions in the US as we would like to add more scale into our US operations."

Bailador is run by co-founders David Kirk and Paul Wilson, and has a number of local start-ups in its portfolio, including social media marketing start-up Stackla, hotel industry software company SiteMinder and corporate video hosting service Viocorp.

"The scale potential of this business is huge, with the translation industry already in excess of \$40 billion," Mr Wilson said.

"There are countless traditional translation businesses which have not kept up with technological advances. It is natural for Straker to acquire customer bases and apply their superior

tech and crowd sourcing-based process to achieve higher margins."

Mr Straker said moves by technology giants including Google and Microsoft to invest significant research and development dollars into language translation software would not pose a risk to his business. He said the tech giants' services would raise awareness of the possibilities of smart software, but would not be tailored specifically to compete with the kind of services offered by Straker. "If anything they are enablers for the industry ... [clients need] more accurate translations and a solution around automation of the translation process, which is where we have a range of solutions," he said. "The blending of humans and machine learning will dominate many industries in the next 50 years and there are considerable profits to be made if you can figure out how to do it efficiently and at scale, which is what we have done."