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Interim Presentation FY2025

Disclosure

This presentation is given on behalf of Straker Limited ASX:STG (Company number NZ: 1008867 / AU: ARBN 628 707 399)
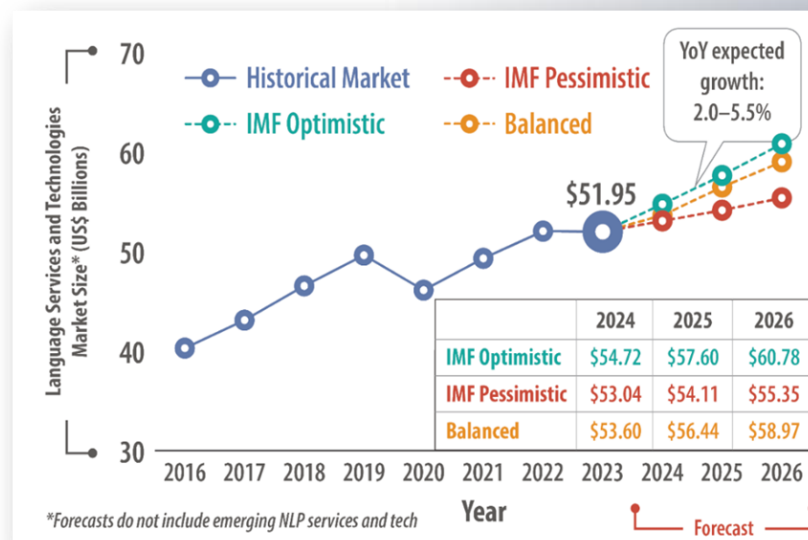
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- Should be read in conjunction with, and is subject to, Straker's latest and prior interim and annual reports, including Straker's Final Report for the period FY24 ended 31 March 2024, and Straker's market releases on the ASX

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- All information in this presentation is current at 30 September 2024, unless otherwise stated.

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

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Key Messages
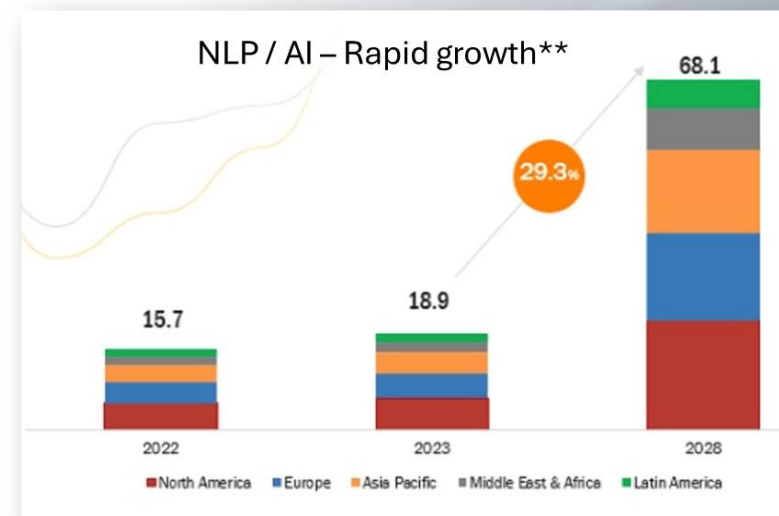
- US$52bn translation industry and US$35bn NLP industry.

- Accessible AI/LLM solutions are disrupting traditional ways of working. This is both an opportunity and a threat.

- Focus is on leveraging technology to lower cost and expand margins.

- Innovating to unlock the power of AI to reinvent customer experience and revenue streams.

- Core translation services revenue has been softer, but margins stronger and OPEX lower.

- Straker.ai has done the work to make the transition to an AI-enabled platform, and we have launched to market a suite of new products, all underpinned by Verify.

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Demand

Market Structure

- Translation volume continuing to grow, but revenue yield from traditional work decreasing.

- NLP/AI showing strong growth and some simple (low-risk) translation work is shifting to easily accessible LLM's.

- Higher-risk and technical work needs verification to ensure it is 'right' – both literally, and in intent (tonally).

- Our sector continues to have strong prospects in an AI-world, but the way we operate, add value, and extract revenue will evolve.

*CSA research

	2024	2025	2026
IMF Optimistic	$54.72	$57.60	$60.78
IMF Pessimistic	$53.04	$54.11	$55.35
Balanced	$53.60	$56.44	$58.97

YoY expected growth: 2.0–5.5%

$51.95

*Forecasts do not include emerging NLP services and tech

Forecast

NLP / AI – Rapid growth**

29.3%

15.7   18.9   68.1

2022   2023   2028

North America   Europe   Asia Pacific   Middle East & Africa   Latin America

**https://www.marketsandmarkets.com/Market-Reports/natural-language-processing-nlp-825.html

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Market Shift – Process and revenue shifts

New: Straker.ai

- Customers under cost pressure and expectations to reduce per word rates.

- Workflows changed from people-first to machine-first translation.

- Leverage technology to lower translation costs and expand margins.

- Use Agentic AI to automate internal workflows – reducing project management costs.

- Move from words-based revenue to balance of subscriptions/ARR, tokens, and traditional services.

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Market Shift – Bring solutions into customers workflows

New: Straker.ai

- Constant demand for increased productivity in clients.

- Speed and simplicity at a premium.

- Time poor to learn new systems and go to traditional TMS platforms.

- Develop solutions that place Straker solutions into the places where people work – be part of the eco-system.

- Use Agentic AI to make our solutions seamless and simple to use – no training.

- Slack, Teams, and Foxit integrations.

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Market Shift – Importance of building high-value moats

- Low-value/low-risk work shifting to automated solutions at very low/no cost.

- But, in many industries, the cost of inaccuracies and mistakes in communication are still high – and will remain that way.

- The prize for winning large and technical clients, where moats can be built around the business, has increased.

New: Straker.ai

- Strengthen relationships with high-value clients where ML knowledge and accuracy is still vital – e.g. IBM.

- Expand industry vertical strengths through a strong product development pipeline.

- Significant H2 move is the development of Swiftbridge – partnership with IBM – targeting the new English language reporting requirements of the Tokyo Exchange (from April 2025).
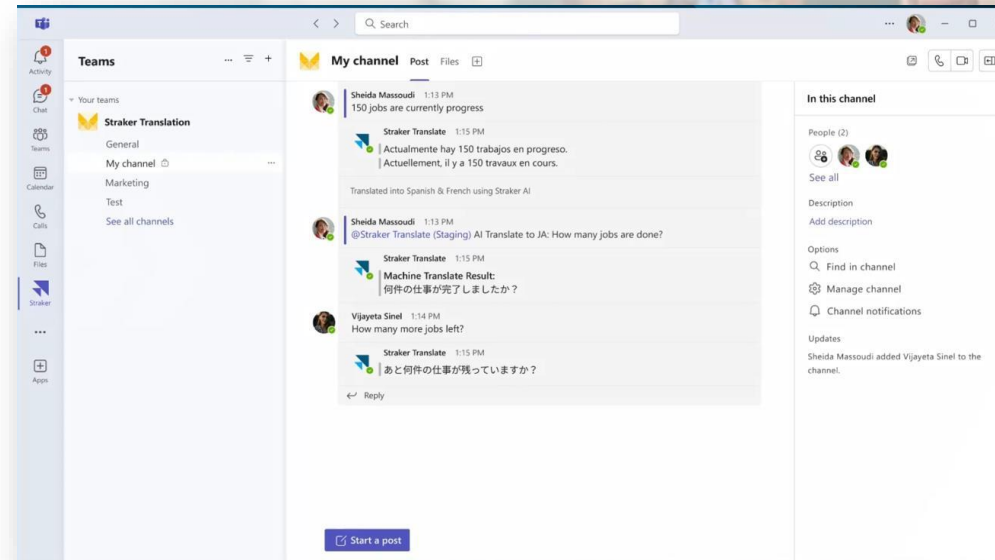
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Verify.ai

- Verify: Our AI verification technology validates AI-created translations, ensuring accuracy and quality.

- Verify lowers translation costs, applying to more than just translation. This innovation makes our services more efficient and cost-effective.

- Unique AI token billing maps cost to usage, providing transparency and value for customers. We directly tie costs to AI usage, giving clients greater control over spending.

- New wins on stream in H2: We've secured new business opportunities coming on stream in the second half of the year, demonstrating growing demand for our services.

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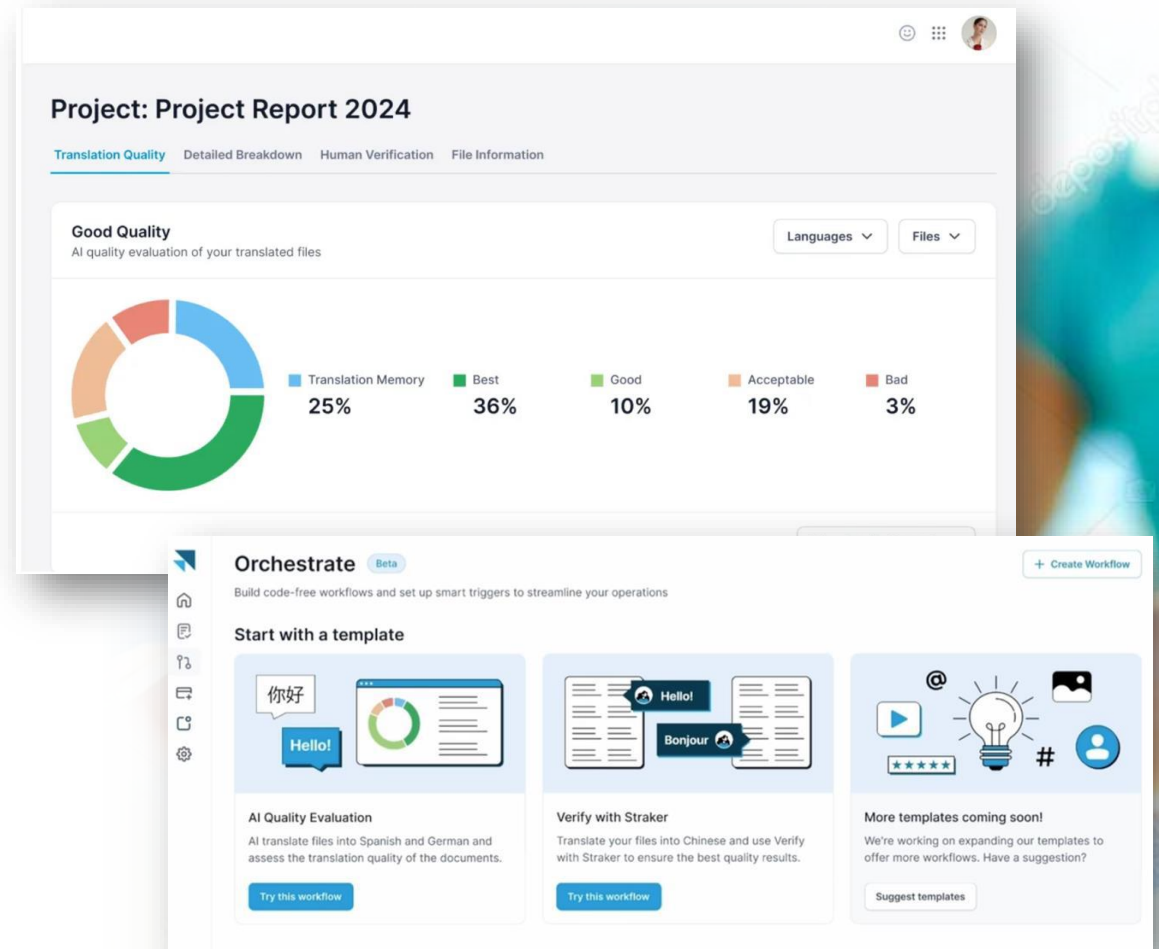
Workplace Apps

- Streamlined process: Manage translation projects through popular workplace apps like Slack and Teams, eliminating the need for a Translation Management System (TMS).

- Seamless integration: Leverage AI Agents to integrate Verify's AI-powered verification technology directly into these existing tools.

- Market share opportunity: Capitalize on customers' desire to reduce TMS costs by offering an innovative, cost-effective solution that integrates with their existing workflows.

- Success story: IBM is already live with over 8,000+ users using Verify on Slack, showcasing the effectiveness of our workplace app solution.

Swiftbridge

- Swiftbridge, a solution developed by Straker on the IBM AI platform for the Tokyo Stock Exchange.

- Gives us a significant base into the Fintech space.

- Swiftbridge is an AI Agent that allows listed companies to comply with regulations for timely publication to meet regulatory compliance.

- Opens the fintech market for our other AI products for gap analysis.

- Currently in pre-release, due to be live Jan 2025.

- Compliance regulations kick in April 2025.

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Financials

Income Statement

Six months ended 30 September	2024 $'000	2023 $'000	Change %
Revenue	22,737	25,526	-11%
Gross profit	15,271	**15,514**	**-2%**
Gross margin %	67.2%	60.8%	11%
Other income	-	113	-100%
Depreciation, amortisation, and impairment of non-financial assets	(5,856)	(4,798)	-22%
Capitalised software development	892	1,487	-40%
Operating expenses, excluding D&A, capitalised development, and impairment of non-financial assets	(14,612)	(15,435)	5%
Operating expenses	**(20,468)**	**(20,233)**	**-1%**
Percentage of operating revenue	-90.0%	-79.3%	-14%
Operating loss before net finance expense	**(5,197)**	**(4,606)**	**-13%**
Percentage of operating revenue	-22.9%	-18.0%	-27%
Net finance income	(1,338)	2,129	-163%
Loss before income tax	**(6,535)**	**(2,477)**	**-164%**
Percentage of operating revenue	-28.7%	-9.7%	-196%
Income tax credit	315	65	385%
Net loss after tax	**(6,220)**	**(2,412)**	**-158%**

Six months ended 30 September	2024 $'000	2023 $'000	Change %
Operating loss before net finance income	(4,305)	(3,119)	-38%
Add:			
Depreciation, amortisation, and impairment of non-financial assets	5,856	4,798	22%
EBITDA	**1,551**	**1,679**	**-8%**
EBITDA Margin	6.8%	6.6%	3%
Add:			
Acquisition & Restructure costs	120	(8)	1600%
Adjusted EBITDA	**1,671**	**1,671**	**0%**
Adjusted EBITDA margin	7.3%	6.5%	12%

Financial Position

	At 30 September 2024	At 31 March 2024
	$'000	$'000
Current assets		
Cash and cash equivalents	11,947	12,165
Trade receivables	6,741	8,664
Other assets and prepayments	2,456	2,307
Total current assets	**21,144**	**23,136**
Non-current assets		
Intangible assets	18,039	22,504
Plant and equipment	235	245
Right-of-use assets	744	1,032
Total non-current assets	**19,018**	**23,781**
Total assets	**40,162**	**46,917**
Current liabilities		
Trade payables	1,661	2,467
Sundry creditors and accruals	3,064	3,422
Contract liability	4,279	4,875
Employee benefits liability	696	746
Lease liabilities	545	574
Total current liabilities	**10,245**	**12,084**
Non-current liabilities		
Lease liabilities	345	641
Deferred tax liability	66	384
Total non-current liabilities	**411**	**1,025**
Total liabilities	**10,656**	**13,109**
Net assets	**29,506**	**33,808**
Equity		
Share Capital	66,774	66,774
Foreign currency translation reserve	(204)	(1,140)
Share option reserve	1,427	1,337
Accumulated losses	(38,491)	(33,163)
Total equity	**29,506**	**33,808**

Cashflow

Six months ended 30 September	2024 $'000	2023 $'000	Change %
Cash flows from operating activities			
Receipts from customers	23,968	27,892	-14%
Other operating cash flows	(22,296)	(24,278)	-8%
Operating cash flow	**1,672**	**3,614**	**-54%**
Capital investment	(946)	(1,513)	-37%
Free cash flow	**726**	**2,101**	**-65%**
Cash flow from financing activities			
Lease liability payments	(317)	(288)	10%
Net financing cash flow	**(317)**	**(288)**	**10%**
Net cash flow	**409**	**1,813**	**-77%**
Effect of exchange rate on foreign currency balances	(627)	12	-5325%
Cash and cash equivalents at beginning of the period	**12,165**	**12,505**	**-3%**
Cash and cash equivalents at end of the period	**11,947**	**14,330**	**-17%**

Outlook

Transition from legacy business to AI driven business to ramp up

Pressure on top line revenue as customers transition to Straker.ai

New AI products live and generating revenue

Margins strong with more software revenue

Swiftbridge live and focus on fintech AI solutions

Focus on Platform embedding LLMs for Verify

Increase in token billing

Q&A

Grant Straker
CEO
grant@straker.ai

David Ingram
CFO
david.ingram@straker.ai