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**Interim Presentation  
FY2025**



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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.

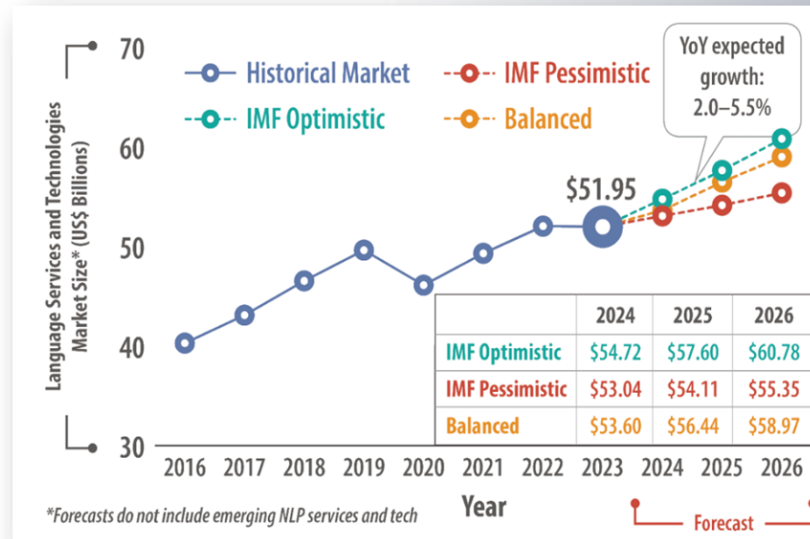
# Key Messages

- 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.

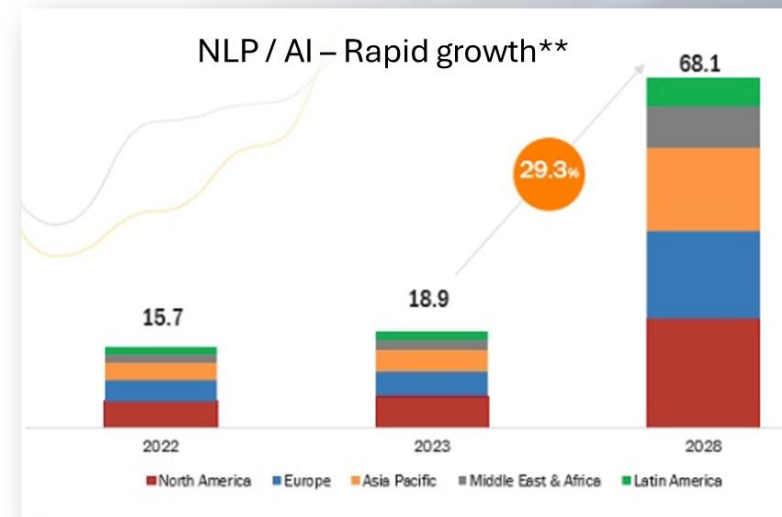


# Market Structure

- 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



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

## Market Shift – Process and revenue shifts

- Customers under cost pressure and expectations to reduce per word rates.
- Workflows changed from people-first to machine-first translation.



## New: Straker.ai

- 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.

## Market Shift – Bring solutions into customers workflows

- 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.



## New: Straker.ai

- Develop solutions that place Straker solutions into the places where people work – **be part of the ecosystem.**
- Use Agentic AI to make our solutions **seamless and simple** to use – no training.
- **Slack, Teams, and Foxit** integrations.

## 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.

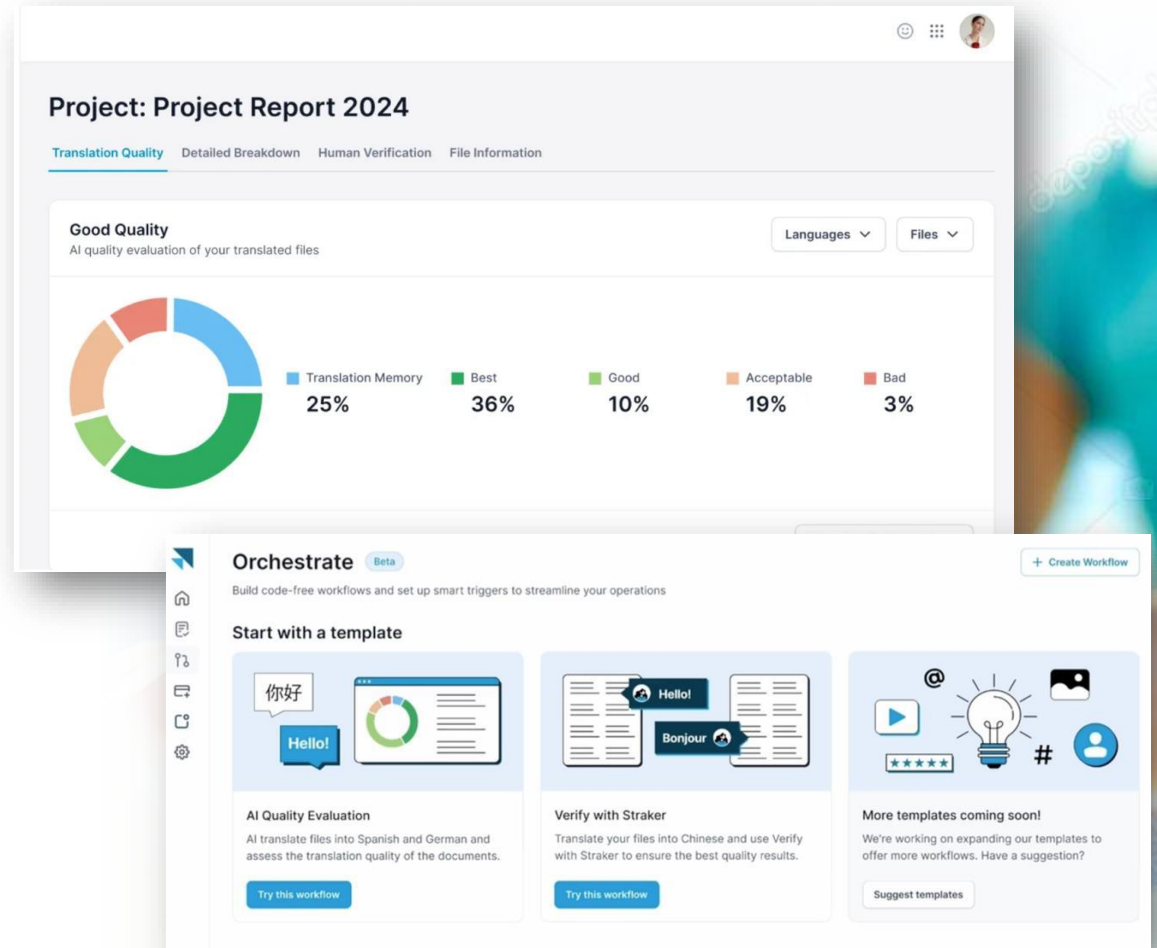


## New: Straker.ai

- **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).

# Verify.ai

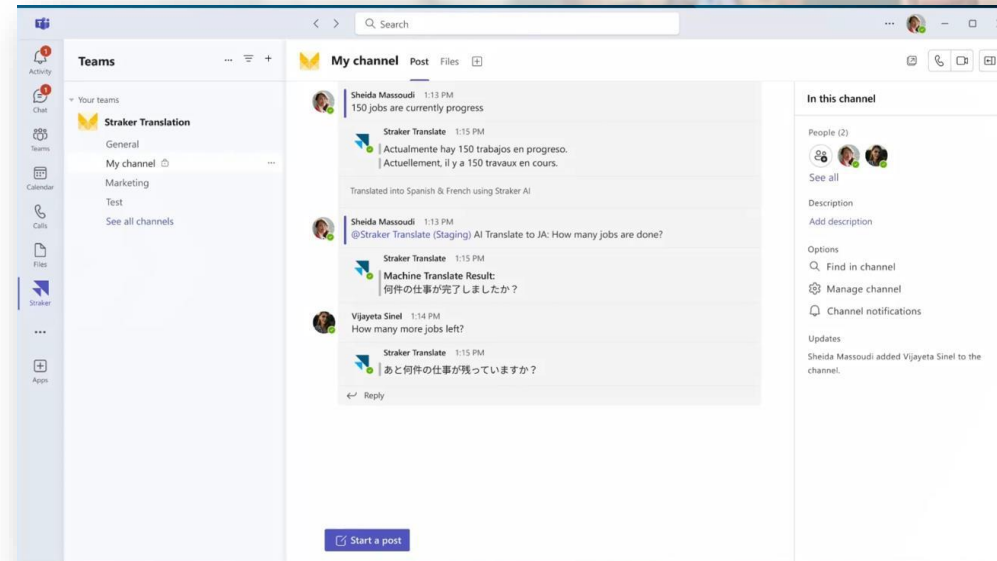
- Verify: Our AI verification technology validates AI-created translations, ensuring accuracy and quality.
- Verify lowers translation costs, applying to more than just translation. This innovation makes our services more efficient and cost-effective.
- Unique AI token billing maps cost to usage, providing 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.





# 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

	2024	2023	Change
<i>Six months ended 30 September</i>	\$'000	\$'000	%
Revenue	22,737	25,526	-11%
<b>Gross profit</b>	<b>15,271</b>	<b>15,514</b>	<b>-2%</b>
<i>Gross margin %</i>	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%
<b>Operating expenses</b>	<b>(20,468)</b>	<b>(20,233)</b>	<b>-1%</b>
<i>Percentage of operating revenue</i>	-90.0%	-79.3%	-14%
<b>Operating loss before net finance expense</b>	<b>(5,197)</b>	<b>(4,606)</b>	<b>-13%</b>
<i>Percentage of operating revenue</i>	-22.9%	-18.0%	-27%
Net finance income	(1,338)	2,129	-163%
<b>Loss before income tax</b>	<b>(6,535)</b>	<b>(2,477)</b>	<b>-164%</b>
<i>Percentage of operating revenue</i>	-28.7%	-9.7%	-196%
Income tax credit	315	65	385%
<b>Net loss after tax</b>	<b>(6,220)</b>	<b>(2,412)</b>	<b>-158%</b>

	2024	2023	Change
<i>Six months ended 30 September</i>	\$'000	\$'000	%
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%
<b>EBITDA</b>	<b>1,551</b>	<b>1,679</b>	<b>-8%</b>
<i>EBITDA Margin</i>	6.8%	6.6%	3%
Add:			
Acquisition & Restructure costs	120	(8)	1600%
<b>Adjusted EBITDA</b>	<b>1,671</b>	<b>1,671</b>	<b>0%</b>
Adjusted EBITDA margin	7.3%	6.5%	12%



# Financial Position

	At 30 September 2024	At 31 March 2024
	\$'000	\$'000
<b>Current assets</b>		
Cash and cash equivalents	11,947	12,165
Trade receivables	6,741	8,664
Other assets and prepayments	2,456	2,307
<b>Total current assets</b>	<b>21,144</b>	<b>23,136</b>
<b>Non-current assets</b>		
Intangible assets	18,039	22,504
Plant and equipment	235	245
Right-of-use assets	744	1,032
<b>Total non-current assets</b>	<b>19,018</b>	<b>23,781</b>
<b>Total assets</b>	<b>40,162</b>	<b>46,917</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>10,245</b>	<b>12,084</b>
<b>Non-current liabilities</b>		
Lease liabilities	345	641
Deferred tax liability	66	384
<b>Total non-current liabilities</b>	<b>411</b>	<b>1,025</b>
<b>Total liabilities</b>	<b>10,656</b>	<b>13,109</b>
<b>Net assets</b>	<b>29,506</b>	<b>33,808</b>
<b>Equity</b>		
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)
<b>Total equity</b>	<b>29,506</b>	<b>33,808</b>



# Cashflow

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

# Outlook

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Transition from legacy business to AI driven business to ramp up

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

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New AI products live and generating revenue

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Margins strong with more software revenue

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Swiftbridge live and focus on fintech AI solutions

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Focus on Platform embedding LLMs for Verify

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Increase in token billing



# straker



GROUP

**Q&A**



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