

24 November 2022

ASX and MEDIA RELEASE

AUDITED FINANCIAL RESULTS FOR THE HALF YEAR TO 30 SEPTEMBER 2022

Straker reports continued growth; provides trading update

Technology-led, next generation language and localisation services provider Straker Translations (ASX: STG) reports continued strong and profitable revenue growth for the half year to 30 September 2022 with revenue up 42% and a 1H adjusted EBITDA of \$0.6m.

FINANCIAL HIGHLIGHTS¹:

- 1H FY23 revenue up 42% to \$33.0m
- Gross Margins steady at 55.5% compared to the prior corresponding period's (pcp) 56.1% as cost savings help to offset inflation pressures
- 1H FY23 adjusted EBITDA of \$0.6m, an improvement on the -\$1.0m on the pcp
- Strong balance sheet with no debt and cash of \$12.4m at 30 September 2022.

OPERATING HIGHLIGHTS:

- Secured a 3-year extension to our strategic translations' agreement with IBM after the half year period end
- IDEST Communication, acquired in Q4 FY22, secures long-term agreement with the United Nations for global technical translation and revision services and completed technological integration with Straker's RAY translation platform
- Opened European Data Centre and named in TIN100 as one of the fastest growing New Zealand technology companies
- Development work to link with new workplace apps Slack and Microsoft Teams accelerates with Slack app in testing and Teams development work commenced in Q3 FY23.

CEO and Co-founder Grant Straker said: "The sharp tightening in global monetary conditions, inflation and the pressures flowing through from geopolitical uncertainties are driving a cyclical weakening in customer demand, largely in North America and Europe.

"We retain a positive outlook, however, and expect to continue to grow revenue as our guidance indicates. This view is supported by our technological leadership, our strong balance sheet, the latent opportunities in recent acquisitions, as well as the depth and range of relationships we enjoy with global enterprise customers and governance organisations."

¹ All figures are in NZ\$ unless stated.

FINANCIAL RESULTS

Revenue for the six months to 30 September 2022 was \$33.0m, up 42% on the \$23.3m achieved in the pcg thanks to organic (29%) and acquisition-led (13%) growth.

Growth was weighted to the first quarter of the year amid a rise in general uncertainty caused by global macro-economic pressures and geopolitical tensions. Meanwhile, the strategic partnership with IBM, which delivered a particularly strong first quarter, saw revenues moderate in the second quarter.

Gross Margins for the half year were steady at 55.5% and the Company continues to focus on margin improvements.

The company is seeing the benefits from the lower cost resource centre it established in the Philippines in the prior financial year. Meanwhile, the tighter integration of its six European offices, and the ongoing integration of the RAY platform with those of recent acquisitions and IBM, the company's most significant global customer, should positively impact costs going forward.

Adjusted EBITDA for the half year was \$0.6m, a \$1.6m improvement on the \$1.0m loss in the previous corresponding period, reflecting a widening gap between revenue and operating expense growth.

The company delivered an 83% improvement in Operating Cash outflow being \$0.6m for the six-month period against an outflow of \$3.3m in the same period a year ago. Total Cash Outflow for the half year was \$3.8m (\$2.7m including foreign currency impact), following earnout payments on recent acquisitions of \$1.7m, working capital requirements and the timing of customer receipts. Straker retains a strong balance sheet with no debt and cash of \$12.4m as at 30 September 2022.

Further detail of the company's acquisitions and partnerships, the progress it has made on further developing its technology, its renewed alliance with IBM, and the recognition of the company in the TIN100 list of New Zealand's fastest growing companies is covered in the interim report also released to the ASX today.

OUTLOOK

Straker is well positioned despite the current adverse macroeconomic conditions.

"Straker's global reach and capability as well as our technology leadership represent a more compelling proposition to customers than ever," Mr Straker said.

"We are building on our strengths with our new focus on delivering our services through workplace super apps such as Microsoft Teams and Slack, a move aligned with our strategy to 'be where the customer works'.

"The global language services market continues to grow and is forecast to reach US\$84.9 billion in 2026, representing sustained year-on-year growth of nearly 7%², while the consolidation seen over the last few years is expected to continue.

"With current macroeconomic uncertainty and increased volatility in the New Zealand dollar there is a softening outlook in revenue for Q3, though with increasing revenue opportunities in Q4, guidance is unchanged. We continue to be a leader in the sector."

Authorisation

This announcement has been authorised for release by the Board of Straker Translations Limited.

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About Straker Translations

Based in New Zealand Straker provides next generation language services supported by a state-of-the-art technology stack and robust AI layer to clients around the world. By combining the latest available technologies with linguistic expertise, Straker's solutions are scalable, cost-effective, and accurate. Through technical innovation and data analytics, Straker is a proven partner in future-proofing global communications.

For more information visit: www.strakertranslations.com

² Source: Nimdzi 100