

# Straker H1 FY2024

## Investor Presentation

# Presenters

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Grant Straker  
Co-founder and CEO



David Ingram  
Chief Financial Officer



# Straker at a glance

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- Leading AI driven language services provider globally, **more than 9,000 customers** across the globe
- **Best in class platform** providing automation, productivity and human in the loop process with more than 20,000 domain and language experts in our crowd
- Increasing use of **AI driving productivity gains** and industry leading high margins
- Successfully **acquired 9 companies** since 2016
- Adapting our platform to **take advantage of LLMs and new opportunities for AI** and human in the loop processes
- 200 staff in **offices across 10 countries**
- Revenue split across Europe, USA and Asia Pacific
- **95%** of revenue is **repeating revenue**

# Highlights

**\$3.6m**

Operating Cash Flow

**\$1.7m**

Adj EBITDA  
up from \$0.6m in PCP

**60.8%**

Gross Margins an  
increase of 530bp

**\$14.3m**

Cash Balance up  
from \$12.4m

**\$2.4m**

Reduction in OPEX

**108%**

Adj Cash  
Conversion\*

\*Adjusted Cash Conversion is Operating Cash less Investing Cash less Lease Payments divided by Adjusted EBITDA

# Language Services Update

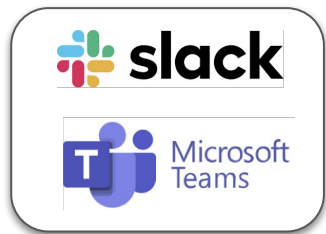
# Independent industry analysis from Nimdzi\*, around the impact of LLMs

- The industry has experienced a **slowdown in demand**, with a cautious approach from buyers due to economic uncertainties and the evolving capabilities of AI. However, specific sectors like healthcare and life sciences are thriving, and the **demand for language services is bouncing back**.
- AI is viewed as a feature enhancement rather than a job replacement. Although buyers feel pressured to adopt LLMs, **AI has not yet matched the depth of human nuanced understanding**.
- The **industry is grappling with the integration of AI into operations**, impacting the traditional role of localization managers. Cost-consciousness is increasing, with companies leveraging Request for Proposals (RFPs) to ensure competitive pricing and value.
- Specialized enterprise clients are offering (machine) translation as a service. The introduction of **new platforms is generating fresh demand** for localization services.
- Despite challenges, the language services and localization industry is still resilient, **presenting opportunities for innovation, adaptation to AI integration**, and exploration of new markets.

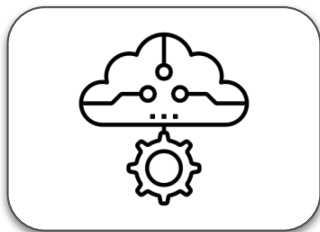
\*Nimdzi are the language industry's leading research, consulting and analysts provider.  
<https://www.nimdzi.com/>

# The LanguageCloud platform continues to lead the industry in innovation with workplace apps and AI integration

Easy delivery platform for corporates through Slack and Teams



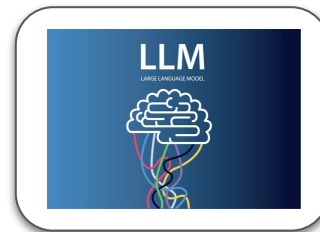
AI Integrated into all stages of the production process giving best in class productivity



Connectors into multiple common tools and platforms



State of the art human-in-the-loop validation platform managing thousands in our crowd and ensuring high quality outcomes



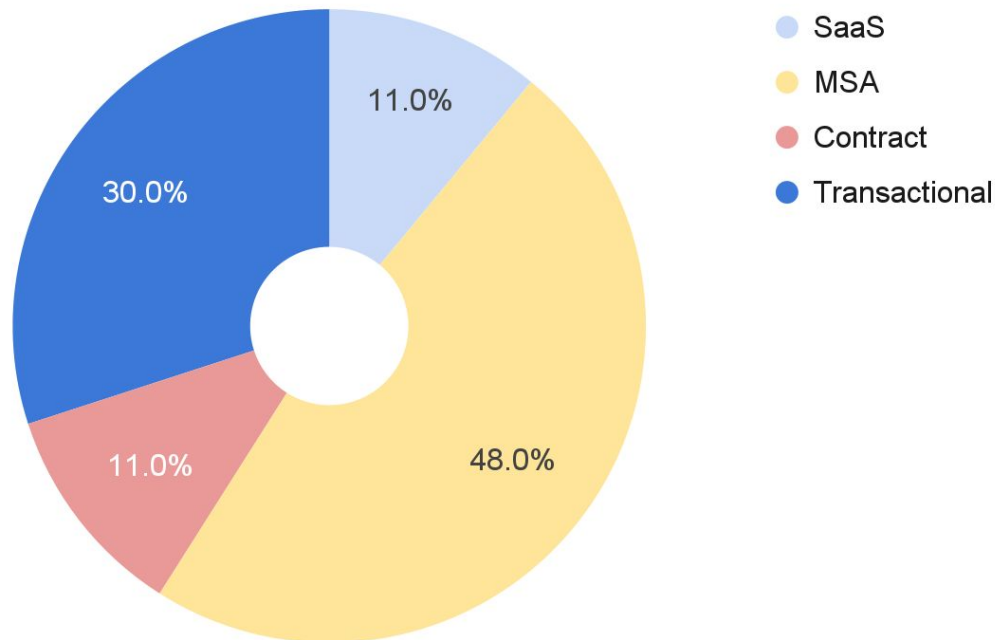
Machine Translation Engine pre-translating in more than 100 languages

Experts in LLMs and machine learning



LanguageCloud Version 2 is due for release in January 2024. We are current working through onboarding 2,000 users into our Slack workplace app.

## Repeating Revenue



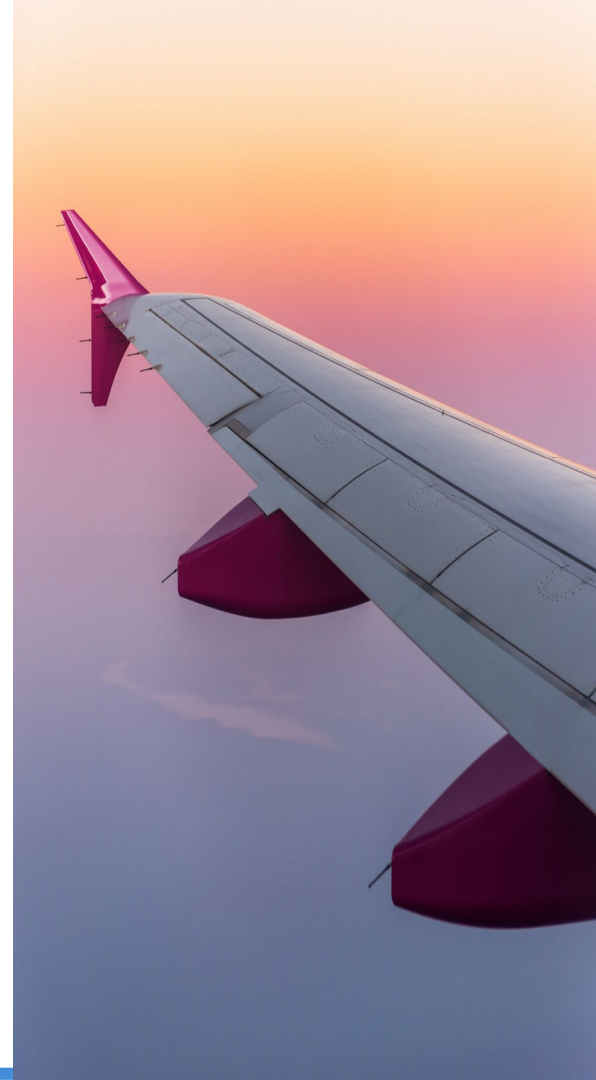
**95%**  
of revenue is  
repeating revenue





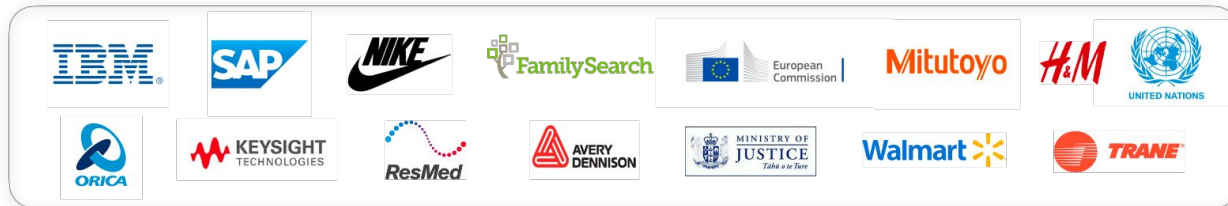
# Industry at an inflection point

- **Global downturn** combined with advances in AI technologies depressed the industry in the first half of CY 2023 as customers hit pause and took a wait-and-see approach
- Now the **initial hype is over on the impact of AI** on the industry customers taking a more structured approach to AI.
- **General overestimation** of short/mid term impact on the industry from AI, customers looking at long term approach
- Customers looking for **AI leaders like Straker** when making long term decisions, these take time to be made
- Overall our Enterprise customers were around 10% down on normal business in H1, with **Europe very slow**. As customers restart normal flow of work we expect this to lift
- Translators become Language Specialist that validate AI content



# A strong customer base with significant untapped potential

25 Leading customers



300+ Enterprise customers



10,000+ SME/  
Transactional customers



# Growth and Profitability Strategy

## Maximise Existing Business

Focus on  
productivity

Pricing

Increasing  
customer  
wallet share

Maximise  
Margins

Alternative  
models(PaaS)

Switch to  
LanguageCloud

## Growth Initiatives

Slack App

AI validation

Teams App

Intelligence  
Platform

Corporate  
Media

Vertical  
Markets

## Demo of LanguageCloud

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# Financials

# Income Statement

Income Statement (\$'000)	1H FY24	1H FY23	Movement	Movement %
Revenue	25,526	33,027	(7,501)	(23%)
Cost of sales	(10,012)	(14,703)	4,691	(32%)
<b>Gross profit</b>	<b>15,514</b>	<b>18,324</b>	<b>(2,810)</b>	<b>(15%)</b>
<b>Gross Margin (%)</b>	<b>61%</b>	<b>55%</b>	<b>5%</b>	<b>10%</b>
<i>Operating expenses</i>				
Selling and distribution	(7,590)	(9,243)	1,653	(18%)
Product design and development	(4,156)	(5,119)	963	(19%)
General and administration	(7,000)	(6,811)	(189)	3%
<b>Total operating expenses</b>	<b>(18,746)</b>	<b>(21,173)</b>	<b>2,427</b>	<b>(11%)</b>
Other income	113	83	30	36%
<b>Operating loss before net finance income</b>	<b>(3,119)</b>	<b>(2,766)</b>	<b>(353)</b>	<b>13%</b>
Net finance income	2,129	5,093	(2,964)	(58%)
<b>Profit/(loss) before income tax</b>	<b>(990)</b>	<b>2,327</b>	<b>(3,317)</b>	<b>(143%)</b>
Income tax (expense)/credit	65	(216)	281	(130%)
<b>Profit/(loss) for the half-year after tax</b>	<b>(925)</b>	<b>2,111</b>	<b>(3,036)</b>	<b>(144%)</b>

**Revenue** decline of 23%, however, should be viewed in light of extraordinary growth of 42% in the PcP as we onboarded IBM as well as macro-economic conditions impacting industry.

**Gross Margin %** lifted 530 basis points due to continued automation and new business lines.

**Overheads** dropped **\$2.4m** as we realised acquisition synergies and improved operational efficiencies.

<b>Adjusted EBITDA</b>				
<b>Operating loss before net finance income</b>	<b>(3,119)</b>	<b>(2,766)</b>	<b>(353)</b>	<b>13%</b>
Add:			-	
Depreciation & amortisation	3,388	3,310	78	2%
<b>EBITDA</b>	<b>269</b>	<b>544</b>	<b>(275)</b>	<b>(51%)</b>
<i>EBITDA Margin</i>	1%	2%	-1%	(36%)
Add:				
Acquisition & restructure costs	(8)	15	(23)	(153%)
Goodwill impairment	1,410	-	1,410	NA
<b>Adjusted EBITDA</b>	<b>1,671</b>	<b>559</b>	<b>1,112</b>	<b>199%</b>
<b>Adjusted EBITDA margin</b>	<b>6.5%</b>	<b>1.7%</b>	<b>4.9%</b>	<b>287%</b>

Goodwill impairment of \$1.4m for IDEST, despite 15% revenue growth pcP, as forecast to fall short of stretch revenue earn-out target.

**Adjusted EBITDA** Improved **199%** to \$1.7m in 1H FY24 demonstrating operational efficiency and realised synergies through accretive M&A.

# Financial Position

## Financial Position (\$'000)

### Current assets

	1H FY24	31-Mar-23
Cash and cash equivalents	14,330	12,505
Trade receivables	8,038	9,715
Other assets and prepayments	3,748	4,049
<b>Total current assets</b>	<b>26,116</b>	<b>26,269</b>

Increasing cash balance, no debt.

Trade receivables down 17% reflecting strong cash receipts.

### Non-current assets

Intangible assets	25,792	28,505
Plant and equipment	285	323
Right-of-use assets	1,177	1,246
<b>Total non-current assets</b>	<b>27,254</b>	<b>30,074</b>
<b>Total assets</b>	<b>53,370</b>	<b>56,343</b>

Intangible asset decrease \$2.7m of which \$1.4m is goodwill impairment of IDEST.

### Current liabilities

Trade payables	2,401	2,606
Sundry creditors and accruals	6,491	4,545
Contract liability	4,241	6,403
Employee benefits liability	750	812
Contingent consideration	606	-
Lease liabilities	521	438
<b>Total current liabilities</b>	<b>15,010</b>	<b>14,804</b>

Working capital decreases 3% to \$11.1m.

Earn-out provision of \$0.6m in relation to IDEST, down from \$1.7m, payable in April next year.

### Non-current liabilities

Contingent consideration	-	1,711
Lease liabilities	850	1,031
Deferred tax liability	543	739
<b>Total non-current liabilities</b>	<b>1,393</b>	<b>3,481</b>
<b>Total liabilities</b>	<b>16,403</b>	<b>18,285</b>

<b>Net assets</b>	<b>36,967</b>	<b>38,058</b>
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# Cash Flow

Cash Flows (\$'000)	1H FY24	1H FY23
<b>Cash flows from operating activities</b>		
Receipts from customers	27,892	31,991
Government grants and tax incentives	317	205
Interest received	135	1
Payments to suppliers and employees	(24,730)	(32,753)
Interest paid	-	(1)
<b>Net cash from / (used) in operating activities</b>	<b>3,614</b>	<b>(557)</b>
<b>Cash flow from investing activities</b>		
Payments for capitalised software development	(1,487)	(1,277)
Payments for plant & equipment	(26)	(99)
<b>Net cash used in investing activities</b>	<b>(1,513)</b>	<b>(1,376)</b>
<b>Cash flow from financing activities</b>		
Lease liability payments	(288)	(247)
Payment of contingent consideration	-	(300)
Payment of deferred consideration	-	(1,363)
<b>Net cash (used) / from financing activities</b>	<b>(288)</b>	<b>(1,910)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>1,813</b>	<b>(3,843)</b>
Effect of exchange rate on foreign currency balances	12	1,160
<b>Cash and cash equivalents at beginning of the period</b>	<b>12,505</b>	<b>15,131</b>
<b>Cash and cash equivalents at end of the period</b>	<b>14,330</b>	<b>12,448</b>

Receipts dropped 13%, more than offset by **24% decrease** in supplier/employee payments.

Operating cash **inflow of \$3.6m** vs \$0.6m outflow pc.p.

16% increase in capitalised software development.

Minor P&E spend.

No earn-outs paid this period.

Free cash **inflow of \$2.1m** vs \$1.9m outflow pc.p.



# Evolving with AI

## AI Strategy

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There is not a car manufacturer in the world today not looking at evolving their offering with EVs. This is the same for language services companies, having a strong strategy for evolving with AI will mean you can take advantage of a huge opportunity.

Straker has been at the forefront of using AI in the industry for a long time and is well placed to be winner as the industry adopts more AI in the translation process and in related areas.

*-Grant Straker , Co-founder & CEO*



## Our AI Goals

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- Use AI to deliver **incomparable value to customers** through increased speed, accuracy and cost
- Use our assets around multilingual expertise and human in the loop to evolve our offering into **AI tools to increase our utility** with existing customers
- **Increase subscription revenue** by moving our customer relationships from primarily service and marketing, into technology teams
- Build AI based technology that can give us **network effect growth** through key partnerships with big tech companies
- **Leverage Big Techs** move to AI and investment in channel

## Key achievement on AI strategy

- Attended several AI conferences, got the lay of the land and explored a range of opportunities based on a verification and fact-checking offering the team had built
- A number of use-cases for our platform/assets were identified and we have invested in building some to MVP stage, and generated a waitlist of customers looking to try the technology once in production
- Built MVP for 3 different AI based applications
- Partnership with IBM around AI apps in place, others in pipeline.



## Demo of AI tools

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## Q&A

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# Disclosure Statement

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# Thank you