

Straker Translations

FY23 Full Year Presentation



Grant Straker
Chief Executive Officer



David Ingram
Chief Financial Officer

Market Opportunity Alignment

As an AI language tech pioneer
Straker is very well positioned to be a
leading player as AI continues to
disrupt the language industry

- A top 100 player
- unique technology and global services reach
- Ability to deliver an AI enhanced human-in-the-loop platform at scale

FY2023 Highlights



\$1m

Free cash flow in
H2 FY2023



\$1.4m

Adjusted EBITDA up
from \$0.2m in 2022



57%

Record gross margins
increase of 270 basis



\$12.5m

Strong cash balance,
added \$1.7m of cash
in Q4



\$2.5m

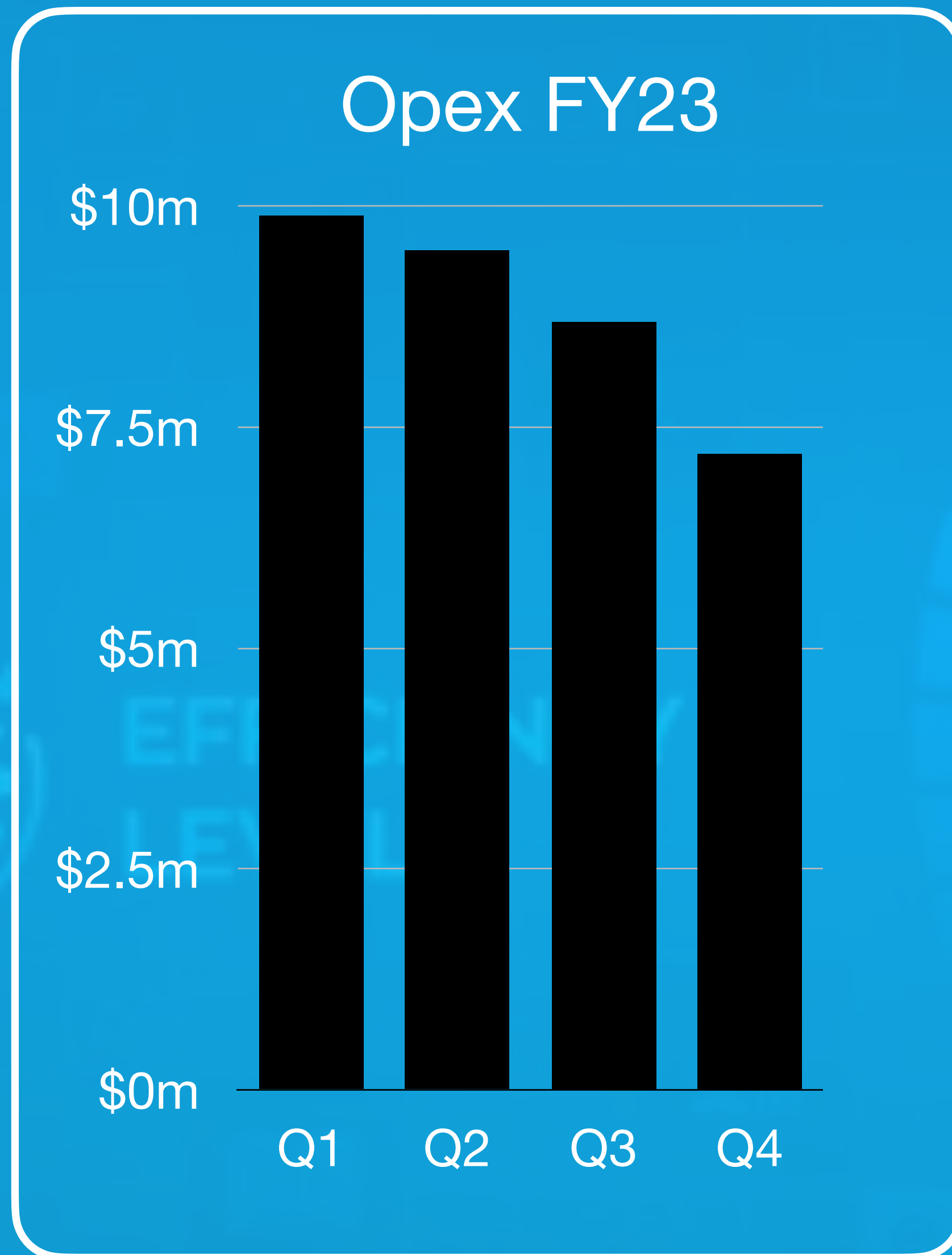
Reduced H2 Opex
by \$2.5m compared
to H1



\$59.4m

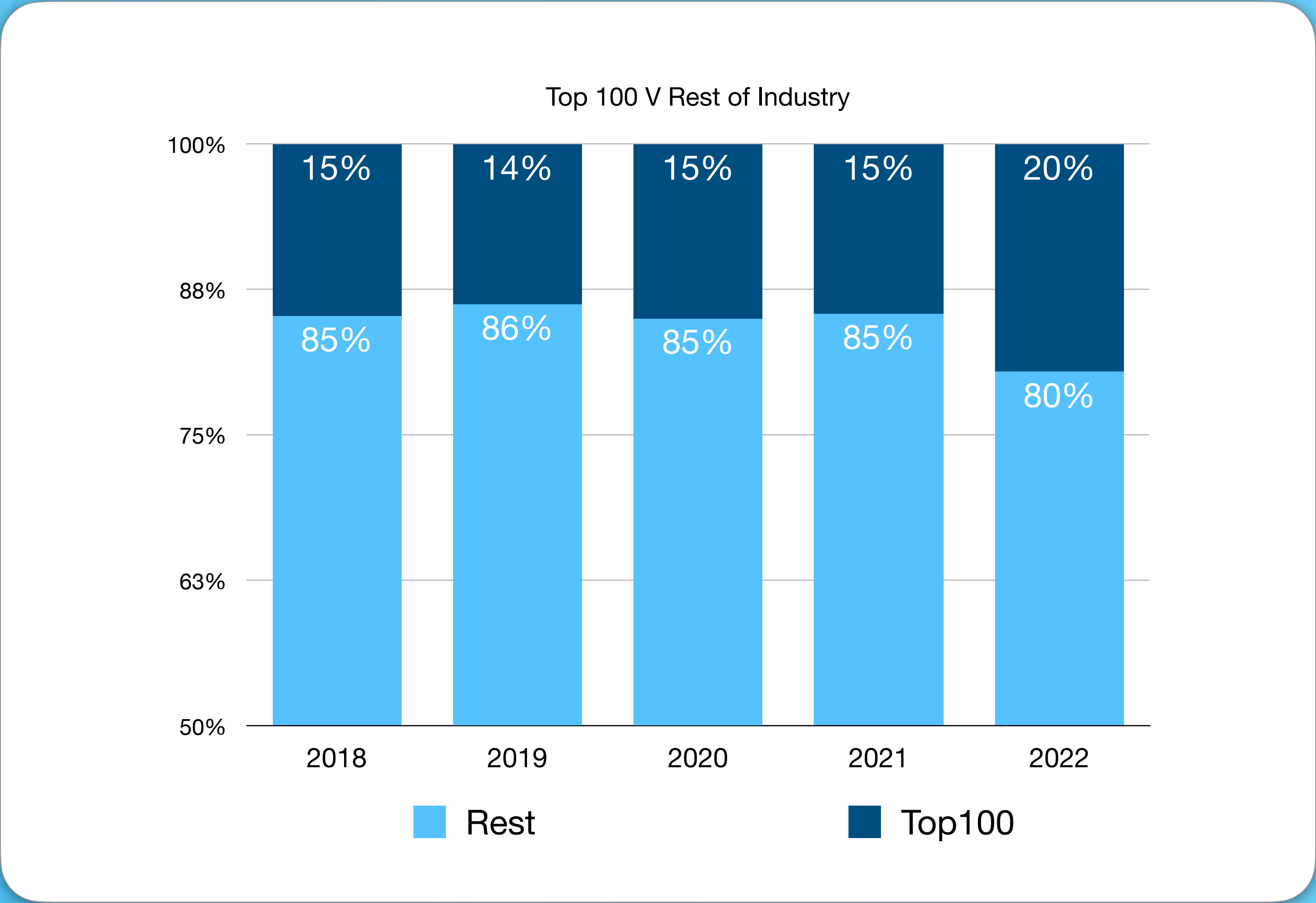
Revenue up 6% on
FY2022 despite 2nd
half macro-economic
headwinds

Cash generating, stable revenue and investing in
new and significant opportunities



- Efficiency programs running from Q2
- Consolidation of functions through technology
- Consolidation benefits as acquisitions are integrated

Industry Consolidation Underway



*Nimdzi Industry Reports 2017-2022

How generative AI Is changing the language industry

Forecast Impact of Generative AI on the industry

Our
market
focus 

		2022	2023	Impact
1	Raw Machine Translation	~2,000 billion words/day 2% market	~3,000 billion words/day 2.9% market	Long term distrupction
2	Enhanced Machine Translation	2bn words/day 0.7% market	10bn words/day 2.5% market	
3	Human + Machine	0.6bn words/day 41% market	0.8bn words/day 47% market	Sustained Innovation
4	Manual Human	0.45bn words/day 51% market	0.35bn words/day 39% market	
5	Transcreation	0.05bn words/day 5% market	0.16bn words/day 8% market	Immediate massive disruption

**data is estimated by Konstantin Dranch -
language industry researcher*

AI Market Opportuntiy

One of our core jobs is to validate the things that machines can't, using our unique technology and a pool of secure humans-in-the-loop



Some predictions are that 90% of online content will be produced using generative AI by 2025



It is estimated only 10% of online content is translated



Generative AI has potentially increased our market opportunity by a significant factor

Leveraging our technology in a changing industry landscape

Organic channels for growth now open



It has traditionally been difficult to get customers to switch to more efficient translation methods

That meant we pursued an acquisition strategy to acquire customers and get consolidation benefits

With customers now actively looking for AI driven solutions we believe a cost effective organic strategy is a better option

Embedding deeply into vertical channels
Push into market verticals and technology verticals



Easy

- Automation into systems
- Easy sign up
- Workplace apps, no need for another portal
- All languages
- One stop shop (translations, transcreation, interpreting, media)
- PaaS offering



Secure

- Closed loop AI enhanced systems
- Overarching security layer
- Secure human-in-the-loop process



Powerful

- Scalable
- Full power for AI enhanced human in the loop quality
- Deep integration into customer systems
- Project management
- Vendor management
- 20,000+ human translator pool
- 100+ languages



Market leaders in the Language Cloud category

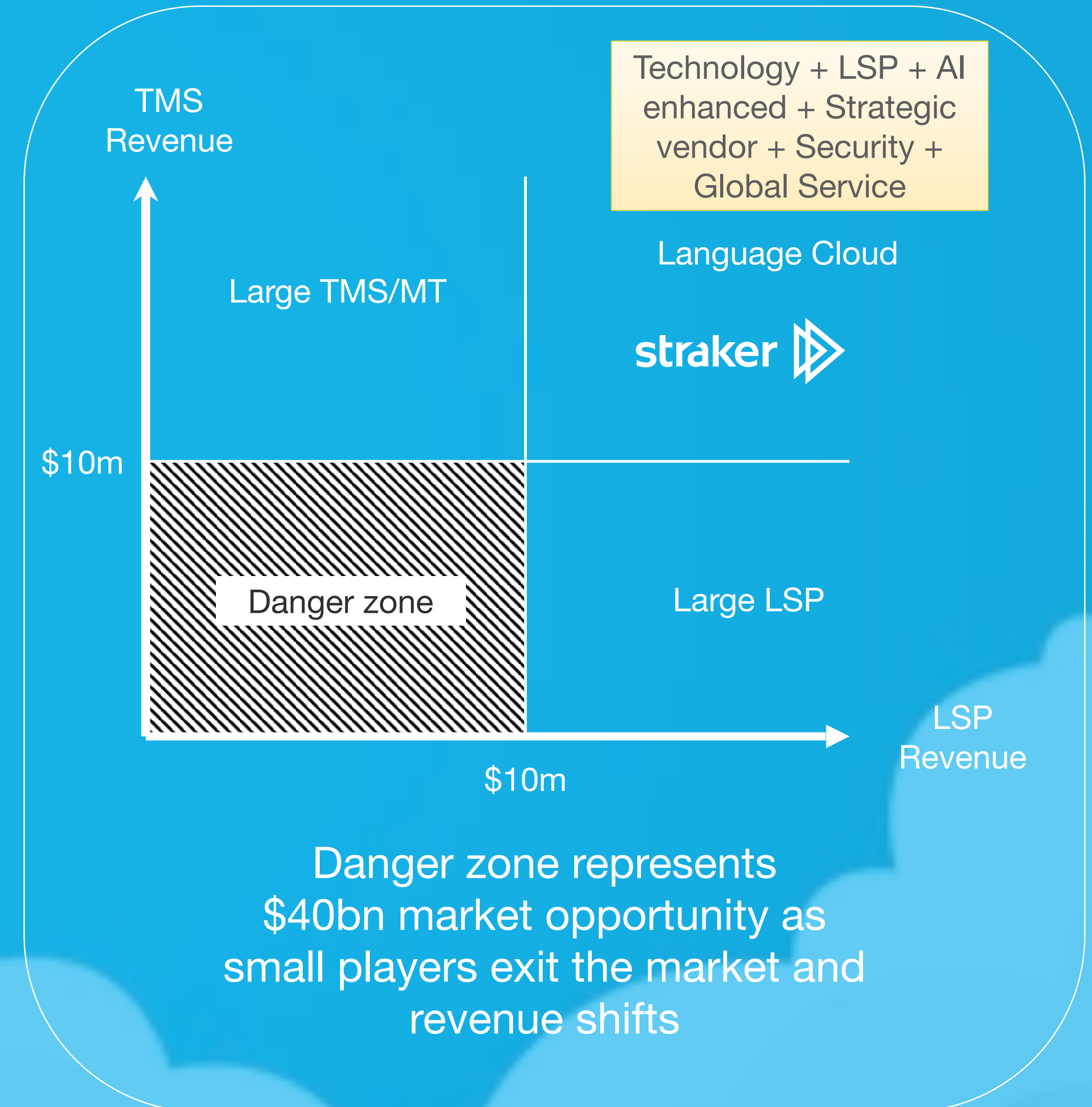
Enterprise customers are looking for:

- a strategic, technology based supplier
- can deliver multiple languages,
- productivity based pricing,
- technology hooks and security layers
- workplace apps to lower costs and simplify the translation process



Industry shift opportunity

With the industry already starting to consolidate, opex tightening for many organisations, and the latest wave of generative AI bringing more awareness of its power, there is a significant opportunity to win new business as customers look for Language Cloud solutions



Income Statement

	2023	2022	Change
	\$'000	\$'000	%
Revenue	59,408	55,901	6%
Gross Profit	33,892	30,381	12%
Operating expenses	(39,837)	(37,121)	-7%
Loss before income tax	(2,677)	(6,387)	58%
Net loss after tax	(2,757)	(5,912)	53%
Operating loss before net finance (expense)/income	(5,863)	(6,650)	-12%
EBITDA	924	(112)	925%
<i>EBITDA Margin</i>	<i>1.6%</i>	<i>-0.2%</i>	<i>876%</i>
Adjusted EBITDA	1,428	188	660%
<i>Adjusted EBITDA margin</i>	<i>2.4%</i>	<i>0.3%</i>	<i>615%</i>

- 6.3% increase in revenue
- 10% growth out of APAC, 19% in EMEA, helped by IDEST acquisition, 6% decline in NAM.
- 15% increase in subscription revenue, 5% in language services
- Costs (OPEX + COS) growth of 4%, trailed revenue growth of 6%
- Significant reduction in OPEX in Q4. \$5m annualised savings
- Operating expenses include \$7.3m in Depreciation and Amortisation, and Acquisition and Restructure costs
- Adjusted EBITDA \$1.4m, up significantly on \$0.2m last year

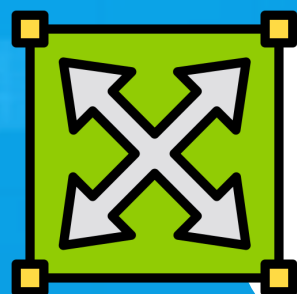
Balance Sheet

	2023	2022
	\$'000	\$'000
Current assets		
Cash and cash equivalents	12,505	15,131
Trade receivables	9,715	12,218
Other assets and prepayments	4,049	1,827
Total non-current assets	30,074	33,395
Total assets	56,343	62,571
Total current liabilities	14,804	17,527
Total liabilities	18,285	21,384
Net assets	38,058	41,187
Equity		
Share Capital	68,804	68,796
Total equity	38,058	41,187

- Trade Receivables down 20% reflecting strong cash receipts, but also decline in revenue in H2 due to challenging economic conditions
- Working capital decreases 2% to \$11.5m
- Net Assets decreases 8% to \$38.1m, of which 6% is due to increase in contract liabilities
- Strong cash balance and no debt.

	2023	2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	62,037	50,330
Net cash from / (used) in operating activities	1,428	(2,365)
Net cash used in investing activities	(2,312)	(4,606)
Net cash (used) / from financing activities	(2,240)	15,092
Net (decrease) / increase in cash and cash equivalents	(3,124)	8,121
Effect of exchange rate on foreign currency balances	498	(165)
Cash and cash equivalents at beginning of the period	15,131	7,175
Cash and cash equivalents at end of the period	12,505	15,131

- Receipts from customers were up 23% to \$62.0m reflecting revenue growth and improved collections
Working capital decreases 2% to \$11.5m
- Operating cash inflow of \$1.4m vs \$2.4m outflow last year
- Free cash outflow of \$0.9m, but significant change in H2 with positive \$1.0m inflow
- \$1.7m paid to acquisitions being \$1.2m in earn-outs (IDEST - \$0.9m, NZTC - \$0.3m) and \$0.5m to IDEST in a final working capital adjustment



Maximising the Existing Business

- Focus on Efficiency
- Price increases
- Alternative models (paas)
- Winning more customer wallet
- Increasing margins
- Switch to LanguageCloud



Growth Initiatives

- Slack apps
- Vertical markets
- AI validation opportunities
- Teams apps
- Corporate media
- Intelligence platform

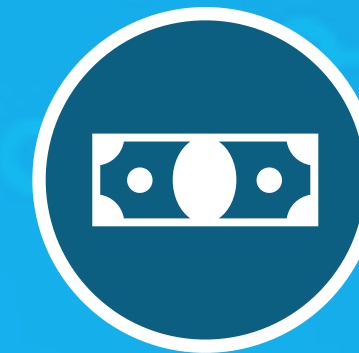
Key Takeaways



Introduction
of PaaS base
in Q1



Focus on AI
enhanced
R&D



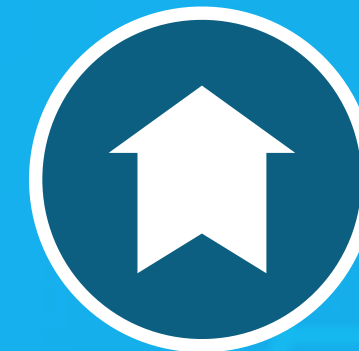
Stable, free-
cash generating
company



Organic over
acquisitive
growth



Significantly
improved
operating
efficiency



Revenue
Growth

Cash generating, stable revenue and investing in new and significant opportunities around generative AI

We expect modest revenue growth and to be both cashflow and EBITDA positive for the fiscal year 2024.

Q&A

Appendix

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	\$'000	\$'000	%
Revenue	59,408	55,901	6%
Gross Profit	33,892	30,381	12%
Gross Margin %	57.0%	54.3%	5%
Other Income	82	90	-9%
Depreciation & Amortisation	(6,787)	(6,538)	-4%
Operating expenses excluding D&A	(33,050)	(30,583)	-8%
Operating expenses	(39,837)	(37,121)	-7%
Percentage of operating revenue	-67.1%	-66.4%	-1%
Operating loss before net finance expense	(5,863)	(6,650)	12%
Percentage of operating revenue	-9.9%	-11.9%	17%
Net Finance expense	3,186	263	1111%
Loss before income tax	(2,677)	(6,387)	58%
Percentage of operating revenue	-4.5%	-11.4%	61%
Income tax credit	(80)	475	-117%
Net loss after tax	(2,757)	(5,912)	53%
Earnings before interest, tax, depreciation and amortisation (EBITDA)			
Operating loss before net finance (expense)/income	(5,863)	(6,650)	-12%
Add:			
Depreciation & Amortisation	6,787	6,538	4%
EBITDA	924	(112)	925%
EBITDA Margin	1.6%	-0.2%	876%
Add:			
Acquisition & Restructure costs	504	300	68%
Adjusted EBITDA	1,428	188	660%
Adjusted EBITDA margin	2.4%	0.3%	615%

- 6.3% increase in revenue
- 10% growth out of APAC, 19% in EMEA, helped by IDEST acquisition, 6% decline in NAM.
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Balance Sheet

	2023	2022
	\$'000	\$'000
Current assets		
Cash and cash equivalents	12,505	15,131
Trade receivables	9,715	12,218
Other assets and prepayments	4,049	1,827
Total current assets	26,269	29,176
Non-current assets		
Intangible assets	28,505	31,397
Plant and equipment	323	364
Right-of-use assets	1,246	1,634
Total non-current assets	30,074	33,395
Total assets	56,343	62,571
Current liabilities		
Trade payables	2,606	4,170
Sundry creditors and accruals	4,545	5,234
Contract liability	6,403	3,779
Employee benefits liability	812	1,132
Deferred consideration	-	1,401
Contingent consideration	-	1,348
Lease liabilities	438	463
Total current liabilities	14,804	17,527
Non-current liabilities		
Contingent consideration	1,711	1,230
Lease liabilities	1,031	1,421
Deferred tax liability	739	1,206
Total non-current liabilities	3,481	3,857
Total liabilities	18,285	21,384
Net assets	38,058	41,187
Equity		
Share Capital	68,804	68,796
Foreign currency translation reserve	(875)	(222)
Share option reserve	1,103	830
Accumulated losses	(30,974)	(28,217)
Total equity	38,058	41,187

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- Working capital decreases 2% to \$11.5m
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	2023	2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	62,037	50,330
Government grants and tax incentives	190	93
Interest received	22	-
Payments to suppliers and employees	(60,820)	(52,788)
Interest paid	(1)	-
Net cash from / (used) in operating activities	1,428	(2,365)
Cash flow from investing activities		
Payments for capitalised software development	(2,207)	(2,457)
Payments for plant & equipment	(105)	(225)
Payments for acquisition of businesses and subsidiaries, net of cash acquired	-	(1,924)
Net cash used in investing activities	(2,312)	(4,606)
Cash flow from financing activities		
Payment of borrowings	-	(8,400)
Loan interest paid	-	(602)
Proceeds from issue of shares	8	26,979
Cost of share issue	-	(1,138)
Lease liability payments	(545)	(754)
Payment of contingent consideration	(340)	(993)
Payment of deferred consideration	(1,363)	-
Net cash (used) / from financing activities	(2,240)	15,092
Net (decrease) / increase in cash and cash equivalents	(3,124)	8,121
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DISCLOSURE STATEMENT



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