1H FY24 Report

28 November 2023

ASX and MEDIA RELEASE

AUDITED FINANCIAL RESULTS FOR THE HALF YEAR TO 30 SEPTEMBER 2023

Straker delivers a strong cash flow performance with inaugural buyback to commence

Technology-led, next generation language and localisation services provider Straker (ASX: STG) reports a >$4m operating cash flow turn around versus the prior corresponding period (pcp) with a further strengthened balance sheet underpinning a buyback of up to 3.5m shares.

FINANCIAL HIGHLIGHTS[1]:

- 1H FY24 Revenue down 23% to $25.5m
- Strong cash flow performance with Operating Cash Flow of $3.6m vs ($0.56m) in the pcp whilst Free Cash Flow also enjoyed a ~$4m turnaround vs the pcp, to $2.1m
- Gross Margins surged 530 basis points (bp) to a record 60.8% with a strong Gross Margin of 63.0% achieved in Q2
- Profitability continues to improve with 1H FY24 Adjusted EBITDA of $1.7m an improvement of over $1m on the pcp
- Strong cash generation sees further balance sheet strengthening with Cash balance of $14.3m and no debt
- Straker's strong financial position underpins a buyback of up to 3.5m shares, set to commence in the current Half and run for a period of up to 12 months

OPERATING HIGHLIGHTS:

- The LanguageCloud offering soft market launch occurred early in the Quarter July 1, 2023, on the Slack & MS Teams platforms
- Large Enterprise customer looking to go live with 2,000 users moving on to the LanguageCloud Slack workplace app in Q3
- New managed services division created to manage implementation of new localisation services delivers over $500k in revenue

CEO and Co-founder Grant Straker said:

"Market conditions remain subdued overall. Straker, however, has been protected to an extent, by a high degree of geographical and customer diversification. Ours is a ~US$65bn industry[2] and we remain confident in its long-term prospects."

"Controlling costs and generating cash has been a key management focus during recent reporting periods in particular, as we wait for the inevitable return of customer confidence. Thus, we are very

[1] All figures are in NZ$ unless stated.
[2] The Nimzdi 100 Report, 2023

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proud to have been able to report to shareholders an outstanding improvement in Gross Margin, profitability, and cash generations. This has permitted the Board to act on the stark valuation disconnect in Straker's share price and announce a 5% share buyback, set to start immediately."

FINANCIAL RESULTS

Revenue for the six months to 30 September 2023 was $25.5m, down 23% versus the pcp. The Half Year revenue decline versus last year should be viewed in context with extraordinary growth in the prior year. In the comparable period, we experienced 42% revenue growth to $33M, thanks partly to very strong results from IBM in Q1 FY23. Compared to 2H FY23, however, the Revenue decline was more moderate, at 3.2%.

Throughout the period we continued to see variable trends across geographies and business lines. Whilst lower year on year we have benefitted from a stabilisation in North America this half versus 2H FY23 as Lingotek delivers ongoing Quarter on Quarter improvement. IBM revenues remain elevated vs 2H FY23, up a healthy 31%, but were weaker year on year. The IDEST business delivered solid mid-teens Revenue growth versus the pcp and 2H FY23.

A standout feature of this result was a dramatic lift in Gross Margin for the half year to 60.8%, up 530bp compared to the pcp as the decline in our Cost of Sales outpaced the fall the in Revenue during the period. Higher margin revenue through increased automation and new business lines was a key contributor to the expansion of margins this Half. The Company continues to expect Gross Margin to remain materially elevated versus historical reported levels ~55%.

With costs remaining relatively stable versus 2H FY23 improved Gross Margins were a key driver of a strong Adjusted EBITDA result this half. Straker delivered Adj EBITDA of $1.7m for the period, more than triple the result reported in the pcp with a particularly strong 2Q FY24.

Despite the decline in Cash Receipts, Operating Cash Flow in 1H FY24 was $3.6m, up dramatically from the ($0.56m) recorded in the pcp. Free Cash Flow (FCF) generation was another key feature of this result with a ~$4m turnaround year on year as Straker delivered $2.1m in FCF. This outcome saw Straker's already healthy balance sheet continue to get stronger with cash of $14.3m at period end versus $12.4m as at 30 September 2022.

Straker's large net cash balance and cash generative operations has left the Company well placed to take advantage of the current market valuation of the Company's shares. During the period the Board approved an on-market buy back of its ordinary shares up to a maximum of 3.5m shares, which equates to approximately 5% of the Company's Issued Capital.

OUTLOOK

The company remains optimistic in its long-term outlook and the commercial opportunity presented by generative AI. The pending commencement of the share buyback underscores this.

Straker is confident that our continued investment in R&D will continue to drive innovation and help us achieve our long-term revenue objectives.

Despite a challenging economic environment, Straker continues to demonstrate its resilience and ability to adapt to changing market conditions by continuing to deliver strong free cash flow and Adjusted EBITDA. However, our Revenue in FY24 YTD has not met our projections, a situation not unique to our industry as broad-based customer caution persists.

Accordingly, we now expect a single-digit percentage decline in revenue on FY23. Pleasingly, Gross Margin in FY24 is now expected to improve over FY23 rather than remain flat and we continue to expect to deliver positive Operating Cash Flow and EBITDA for FY24.

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

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