

ASX RELEASE

2024 Annual Meeting Chair and CEO Addresses and Presentation

Auckland, 27 August 2024 – Straker Ltd (ASX: STG, 'Straker' or 'the Company') attaches the Chair and CEO addresses and presentation for Straker's 2024 Annual Meeting.

Authorisation

This announcement has been authorised for release by the Company Secretary of Straker Limited.

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About Straker

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.straker.ai

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STRAKER LIMITED – 2024 ANNUAL MEETING

Tuesday 27 August 2024

Address by the Chair, Linda Jenkinson

My name is Linda Jenkinson, and I am Straker's Non-Executive Chair. This is my inaugural Annual General Meeting of Straker's shareholders. I intend on giving a brief review of the key highlights of FY24 before handing over to Grant Straker, our Managing Director, and David Ingram, our CFO, for more detailed commentary.

But first, however, I would like to highlight a critical trend shaping our industry. Our industry continues to be in a state of transition, shifting rapidly from traditional processes to AI based solutions. This is by no means a phenomenon unique to the translation and localisation sectors. Industries from health care to the legal profession, to financial services are evolving their work flows and processes to reap highly anticipated benefits of generative AI.

For Straker, this is no surprise. Whilst generative AI began to dominate conversations in late 2022, AI has been at the heart of Straker's ethos and product offering since the Company's entry into the industry in 2010. Our technology leadership, well highlighted by our strategic translation partnership with IBM, had its genesis almost 15 years ago in our Founders' understanding that a gap in the market existed for technology-based translation services that could utilise both machines and humans to produce highly accurate, faster, and more cost-effective translations. Iterating improvements to this original insight has underpinned our product offering ever since.

Our commitment to innovation has recently yielded several unique product releases, such as AI Verify, which have received much interest from customers. We don't intend to rest though, and will continue to invest strongly in R&D. The vast majority of our budget in this area is dedicated to AI initiatives in FY25 and shareholders can expect to see further product releases.

Ours is a highly fragmented industry and we continue to believe that a vast number of our 'cottage industry' scale competitors, will not have the resources, balance sheet or expertise to take compete in an AI world. We are already seeing signs of these competitors exiting the industry. This bodes well for Straker.

With that said I would like to turn to a review the key highlights of FY24.

Financial and Operational Performance

Straker's financial results for FY24 demonstrate the combined benefits of outstanding cost control and an evolving product offering in an environment of constrained market conditions.

As the year progressed, we tempered our expectations for Revenue, due to customers more tightly controlling their own expenditure than originally forecast and delivered \$50m in Sales for the full year. A key highlight in these challenging conditions was the contribution from our new Managed Services business, which reported significant growth from a standing start in the second Quarter and ended the year as one of our most important topline contributors.

Whilst Revenue declined year on year the Company achieved an outstanding level of profitability. The trend of improving Gross Margins over recent reporting periods continued throughout FY24

and we have generated a dramatic improvement in Gross Margins of 950 basis points over the last 2 years. This has been due to technology gains, the integration of acquired business as well as the rapid growth in the Managed Services business. A record Gross Margin allowed us to report a Gross Profit of approximately \$32m.

I'm very pleased to highlight that we achieved a record Adjusted EBITDA of \$4.5 million, which is three times last year's result. This remarkable improvement is a direct result of our enhanced Gross Margin and our relentless focus over the past several years on boosting the efficiency of our operations. We are now capable of delivering improved services to our customers with fewer resources.

The increased scalability of Straker is particularly evident in our Production segment, where the core of our work is performed. Through continuous innovation, we have reduced the resources allocated to translation by 29% over the past 18 months, while simultaneously maintaining the quality and reliability our customers expect of us.

Our business is exceptionally well-positioned to capitalise on a return to more normalised customer activity, without the need to reverse the cost savings we have diligently implemented. Our efforts to achieve sustainable cost reductions have been key to setting the stage for a profitable future, and this focus on expense management is unchanged.

In the field of product development, growing demand for AI-powered content verification has opened significant opportunities for Straker. This generative AI based offering we call 'AI Verify,' was successfully launched before the year's end. AI Verify is an advanced AI Agent, using multiple large and small language models, combined with human verification to significantly reduce the time and cost of translation and verification.

Our growing suite of AI-driven applications, including AI Cloud and AI Verify are a key to increasing Straker's Software-as-a-Service (SaaS) revenue. This is one of our primary objectives for FY25 and beyond. Shifting more of our revenue from 'Repeat' to 'Recurring' sources enhances the predictability of our revenue and is supportive of strong margins. Businesses with such qualities are generally accorded superior valuation by investors and we hope to benefit from this preference.

A larger portion of our annual R&D budget is now allocated to further innovations that support this shift in revenue mix. Straker remains steadfast in its commitment to innovation, investing about \$8 million each year in developing new solutions for our customers. We view this expenditure not as a cost, but as a strategic investment in our future, ensuring that Straker stays at the forefront of generative AI-driven applications for localisation and other emerging customer needs.

Healthy Financial Position

A standout feature of FY24 was our ongoing generation of cash. We produced over \$2 million in Free Cash Flow during FY24, which has not only reinforced Straker's already robust balance sheet but also provided the Board with substantial flexibility to navigate share market conditions.

Thus, we were in the enviable position of being able to take advantage of a weak market for ASX emerging companies generally, and what the Board considered to be the market's mispricing of

Straker shares in particular, to launch and complete a share buyback of 5.2% of Straker's Issued Capital.

Notwithstanding the buyback the Company ended the year with cash of \$12.2m and, of course, no debt.

Outlook

Turning now to our outlook, which is always of keen interest to shareholders and prospective investors. As we transition to new AI growth opportunities, our core focus is on delivering stable Gross Margin with reducing opex, and to be both cash flow and EBITDA positive for the fiscal year 2025.

Board changes

As shareholders will know, Heith Mackay-Cruise retired as Straker's Chair, and as a director, shortly after the end of the Financial Year. I take this opportunity to acknowledge Heith's stewardship of the business over his tenure. We wish him well in his future endeavours.

Acknowledgements

On behalf of the Board, I would like to thank our CEO and Managing Director, Grant Straker, and the whole Executive team for the work that they have put in over what proved to be a challenging, yet busy and productive year.

Our product innovation and ongoing outstanding service delivery would not be possible without the talent of, and commitment from, staff members in Straker offices around the world. The Board thanks every team member for their continued efforts and passion for delivering world-leading localisation and verification solutions for our customers.

We would also like to thank you, our shareholders, for your continuing support. I look forward to updating you again with my thoughts on the Company as the year progresses.

I will now hand over to Grant to go through the year in review in more detail.



STRAKER AGM 2024

Thank you for waiting, the
presentation will begin shortly

Linda Jenkinson

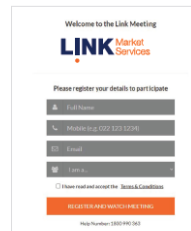
Chair



VIRTUAL MEETING AND VOTING

Virtual Meeting Online Guide

<https://meetings.linkgroup.com/STG2024>



Step 1

Open your web browser and go to <https://meetings.linkgroup.com/STG2024>

Step 2

Log in to the portal using your full name, mobile number, email address, and participant type

Please read and accept the terms and conditions before clicking on the blue 'Register and Watch Meeting' button.

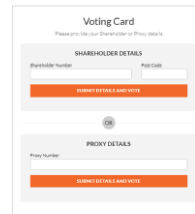
- On the left – a live webcast of the Meeting starts automatically once the meeting has commenced. If the webcast does not start automatically please press the play button and ensure the audio on your computer or device is turned on.
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.



If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the 'SUBMIT DETAILS AND VOTE' button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.

Directors



Grant Straker
Chief Executive Officer
and Managing Director



Amanda Cribb
Independent Non-
Executive Director



Steve Donovan
Non-Executive
Director



Steve Bayliss
Independent
Non-Executive
Director



James Johnstone
Non-Executive
Director

Agenda

1. Welcome
2. Chair's address
3. CEO & Managing Director's address
4. Q&A
5. Formal business
6. Meeting close

Chair's address



CEO and Managing Directors address



Our mission is to harness the power of human insight and artificial intelligence to drive unparalleled productivity.

FY2024 at a glance

Delivered Strong Financial Performance

- Achieved \$4.5 million in Adj EBITDA
- Generated \$50 million in revenue despite challenging macroeconomic conditions
- Reduced operating expenses by \$4.5 million, optimizing resource allocation
- Achieved positive free cash flow of \$2.3m
- Completed \$2m share buy back

Fostered Innovation and Positioned for Future Growth

- Launched AI VERIFY, an industry-leading approach to AI-based translation solutions
- Released Straker AI Cloud with integrated workplace apps
- Released Microsoft Teams and Slack translation management integration
- Demonstrated mainstream AI is a positive development for Straker

Matured Key Alliances and built new ones

- Strengthened strategic partnerships with IBM, Microsoft, Salesforce and Foxit

FY2024 Strategic Achievements - AI Transformation

Cost Efficiency & Cash Generation

- High gross margins
- Reduction in OPEX
 - Positive EBITDA
- Generate free cash flow
- Maintain strong cash position

3 Areas of Strategic Focus

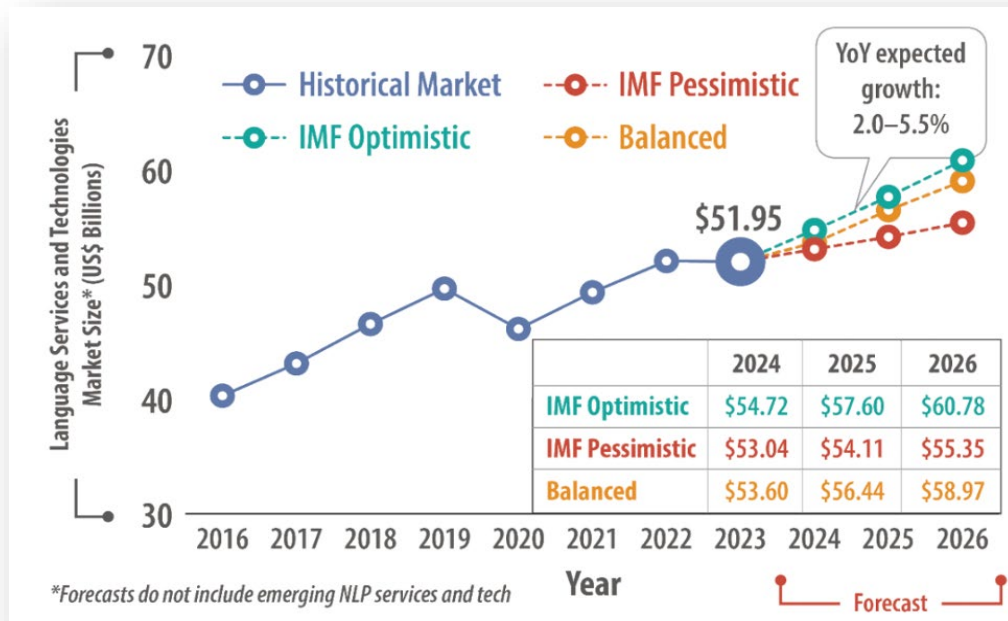
Digital Transformation & AI Investment

- Investment in AI R&D
- New world leading AI translation process developed
- New AI SaaS platform
- Workplace Apps as TMS UX

Build Partnerships & Alliances

- IBM ecosystem
- Microsoft partnership
- Slack/Salesforce channel
- New platform partnerships

Industry remain large and ripe for disruption and consolidation



Data: @CSA Research

Factors favoring higher growth

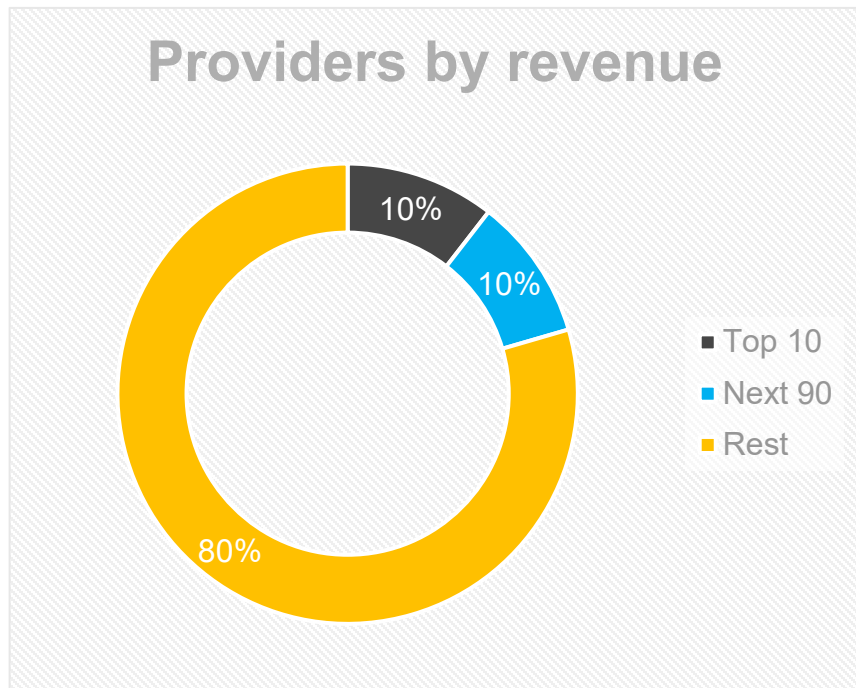
- Improving macroeconomic outlook and slowing inflation
- Increasing demands for in-language content plus content explosion
- Lower unit costs due to AI services
- New content and AI service categories

Factors leading to slower growth

- Decreasing demand for human-only services
- Displacement of human services by machines
- Continued inflation and low economic growth in developed economies
- Market uncertainty

Based on data from February 2024

Industry concentration opportunity



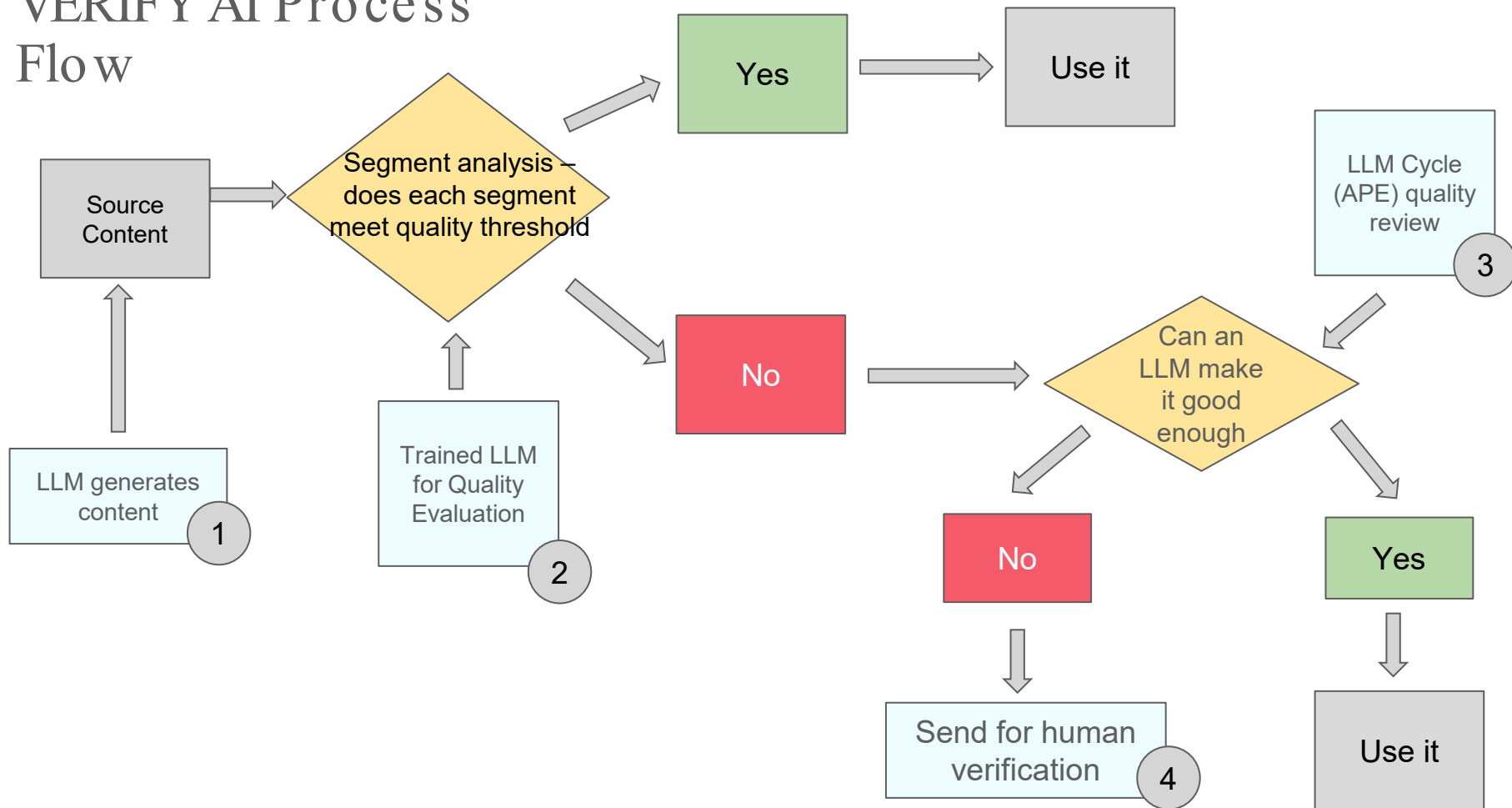
- Top 100 companies concentrate 25% of revenue
- 15-20,000 companies sub US\$15 million in revenue
- Current technology evolution will lead to considerable consolidation
- 80% represents around \$40 billion of opportunity for the right technology play



With industry moats coming down we are taking advantage of the opportunity

- Disruptive AI Verification technology aligns with buyers AI strategy
- Change in channels – Platform LLMs and Workplace apps moving who owns the content
- Workplace apps remove need for TMS systems
- Platforms integrating LLMs move content source and get value from our Verification engine
- Significant savings for customers strong reason for change of vendor
- Trust in a local vendor has been the single biggest barrier to organic consolidation in the industry, this moat is now being removed

VERIFY AI Process Flow



Traditional Translation Workflow

Example:

10,000 words into French



Machine Translation

0.0005c per word
= \$5.00



Human Translation

10 hours @ \$50/hour OR
10,000 x 0.05c per word
= \$500.00



Total

\$505.00

Verify Workflow

Example:

10,000 words into French

Verify (AI only) Pricing

\$246

51% saving

Verify (AI + Human) Pricing

\$321

36% saving

Traditional Translation Pricing

\$505.00



AI Assisted
Translation

= \$6 /
300 tokens



AI Assisted
Quality Evaluation

= \$100 /
5,000 tokens



AI Assisted
Quality Boost

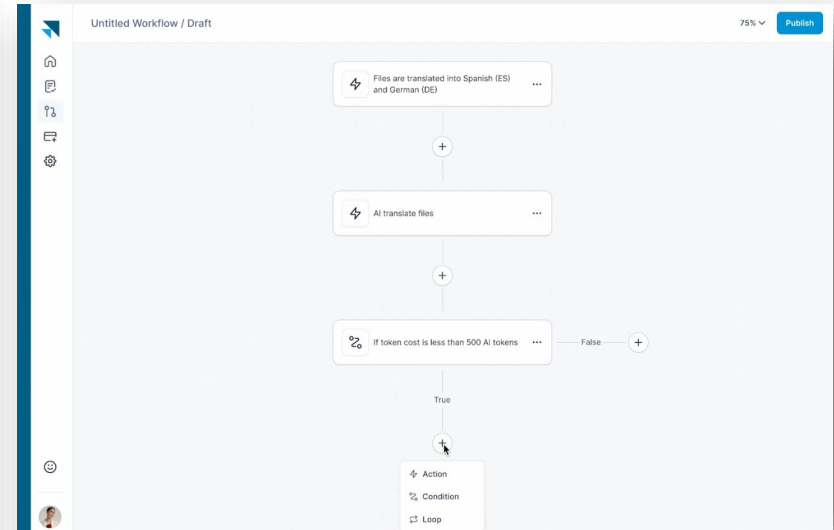
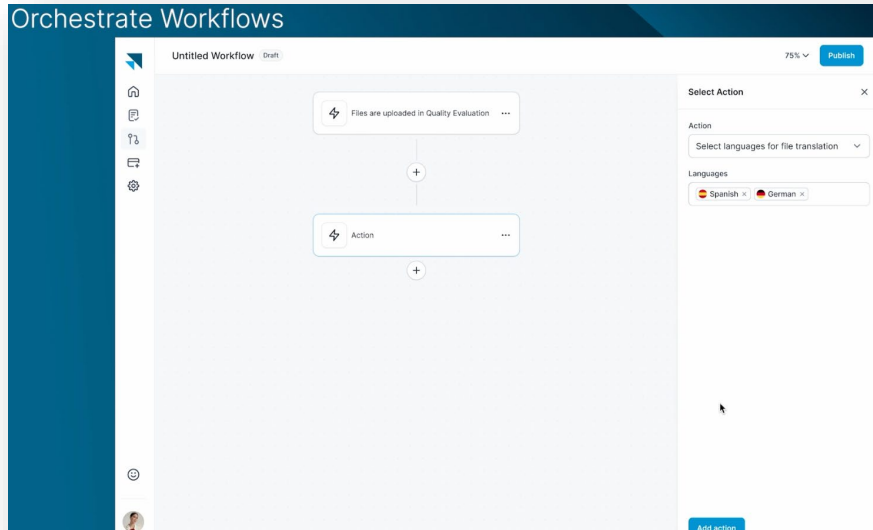
= \$140 /
7,000 tokens



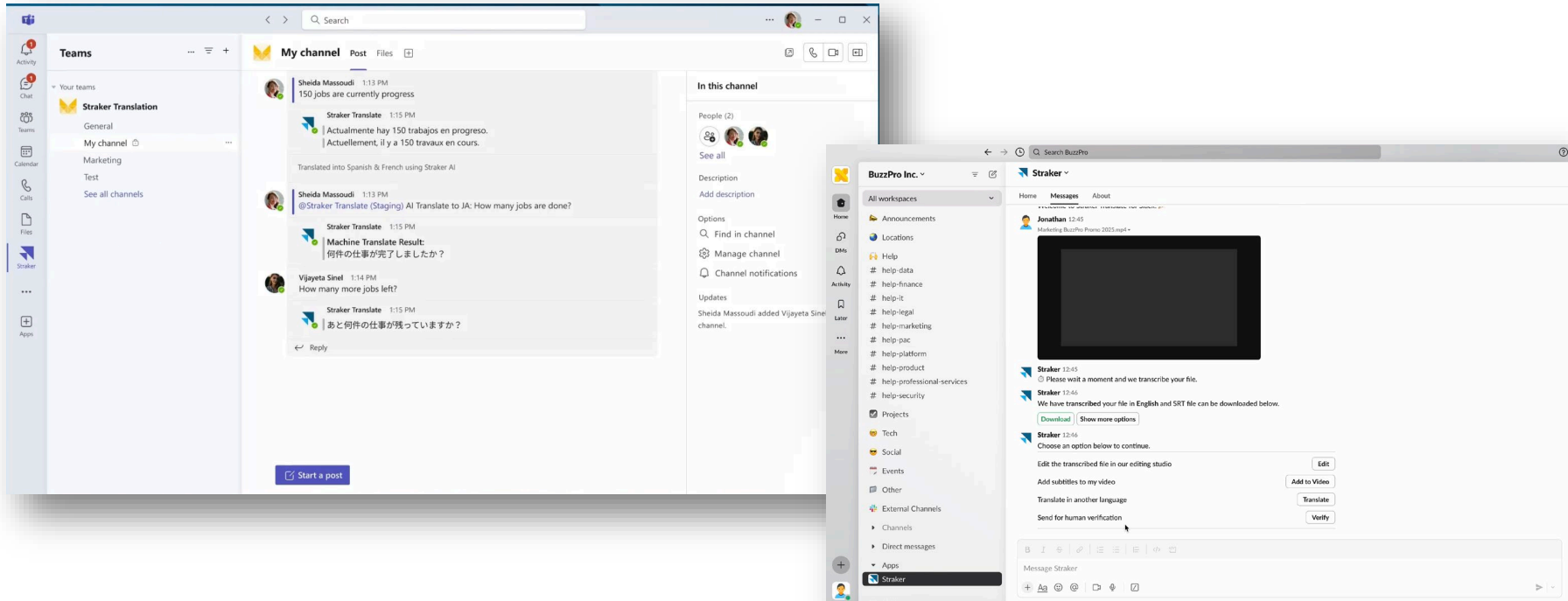
Human
Verification

AI Workflow Orchestrator

Orchestrate enables customers to configure AI workflows that best suit their budgets and expected outcomes by allowing a configuration mix of token and hourly billing for tasks based on quality outcomes.



Teams & Slack Workplace Apps



Go to market - a new world of access to customers

Increased marketing to drive channel and ecosystem partner growth

AI VERIFY	Slack/Teams	Managed Services	Gap Pro	AI VERIFY Toolkit
AI and Business Conferences Online Direct Platforms IBM Ecosystem	Salesforce/Slack ecosystem Salesforce conferences Microsoft partnership IBM ecosystem	Direct approach at C level	Partnerships and ecosystems around Audits Large integrators	Powerful API White label offering Direct targeting platforms Tech conferences

How we are tracking

- Swiftbridge – major project with IBM in Japan.
- Verify – first round of live customers, technology is working and entering ramp up phase
- IBM live with Slack internally, major rollout in place
- Joint bid with Salesforce(Slack) for major global customer as they needed multilingual support.
- Foxit platform integration underway

Summary & Outlook

1. US\$50billion plus industry ripe for disruption
2. Unique technology offering ramping up with new customers
3. Network effect eco-systems and partnerships – IBM, Microsoft, Salesforce, Platforms
4. Profitable and significant revenue/customer base to work from
5. Profitable and free cash flow positive
6. Transition year for the industry and Straker as AI impacts and creates opportunities

BUSINESS FUNDAMENTALS

INCOME STATEMENT

	2024	2023	Change
	\$'000	\$'000	%
Revenue	50,014	59,408	-16%
Gross profit	31,921	33,892	-6%
<i>Gross margin %</i>	63.8%	57.0%	12%
Other income	355	82	333%
Depreciation, amortisation, and impairment of non-financial assets	(9,599)	(6,787)	-41%
Operating expenses excluding D&A and impairment of non-financial assets	(28,022)	(33,050)	15%
Operating expenses	(37,621)	(39,837)	6%
<i>Percentage of operating revenue</i>	-75.2%	-67.1%	-12%
Operating loss before net finance expense	(5,345)	(5,863)	9%
<i>Percentage of operating revenue</i>	-10.7%	-9.9%	-8%
Net finance income	2,874	3,186	-10%
Loss before income tax	(2,471)	(2,677)	8%
<i>Percentage of operating revenue</i>	-4.9%	-4.5%	-10%
Income tax credit/(expense)	282	(80)	453%
Net loss after tax	(2,189)	(2,757)	21%

Earnings before interest, tax, depreciation and amortisation (EBITDA)			
	2024	2023	Change
	\$'000	\$'000	%
Operating loss before net finance expense	(5,345)	(5,863)	-9%
Add:			
Depreciation, amortisation, and impairment of non-financial assets	9,599	6,787	41%
EBITDA	4,254	924	360%
<i>EBITDA Margin</i>	8.5%	1.6%	447%
Add:			
Acquisition & Restructure costs	245	504	-51%
Adjusted EBITDA	4,499	1,428	215%
Adjusted EBITDA margin	9.0%	2.4%	274%

		2024	2023
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents		12,165	12,505
Trade receivables	10	8,664	9,715
Other assets and prepayments	11	2,307	4,049
Total current assets		23,136	26,269
Non-current assets			
Intangible assets	12	22,504	28,505
Plant and equipment		245	323
Right-of-use assets	17	1,032	1,246
Total non-current assets		23,781	30,074
Total assets		46,917	56,343
Current liabilities			
Trade payables		2,467	2,606
Sundry creditors and accruals	14	3,422	4,545
Contract liability	15	4,875	6,403
Employee benefits liability		746	812
Lease liabilities	17	574	438
Total current liabilities		12,084	14,804
Non-current liabilities			
Contingent consideration	16.2	-	1,711
Lease liabilities	17	641	1,031
Deferred tax liability	8	384	739
Total non-current liabilities		1,025	3,481
Total liabilities		13,109	18,285
Net assets		33,808	38,058
Equity			
Share Capital	18	66,774	68,804
Foreign currency translation reserve		(1,140)	(875)
Share option reserve	24	1,337	1,103
Accumulated losses		(33,163)	(30,974)
Total equity		33,808	38,058

	2024	2023	Change
	\$'000	\$'000	%
Cash flows from operating activities			
Receipts from customers	52,190	62,037	-16%
Other operating cash flows	(47,142)	(60,609)	-22%
Operating cash flow	5,048	1,428	254%
Capital investment	(2,711)	(2,312)	17%
Free cash flow	2,337	(884)	-364%
Cash flow from financing activities			
Shares repurchased	(2,030)	-	n/a
Proceeds from issue of shares	-	8	-100%
Lease liability payments	(583)	(545)	7%
Deferred and contingent consideration payments	-	(1,703)	-100%
Net financing cash flow	(2,613)	(2,240)	17%
Net cash flow	(276)	(3,124)	-91%
Effect of exchange rate on foreign currency balances	(64)	498	-113%
Cash and cash equivalents at beginning of the period	12,505	15,131	-17%
Cash and cash equivalents at end of the period	12,165	12,505	-3%

OUTLOOK

As we transition to new AI growth opportunities, our core focus is on delivering stable Gross Margin with reducing opex, and to be both cash flow and EBITDA positive for the fiscal year 2025.

Q&A

Formal business

To receive and consider the Financial Report and Audit Report for the year ended 31 March 2024, all of which are set out in the Company's 2024 Annual Report.

There is no formal resolution required for this item but questions for the Board, CFO or the Auditor are welcome.

“To record that BDO Auckland continue in office as the Company’s Auditor and to authorise the Directors to fix the remuneration of BDO Auckland as the Company’s Auditor for the ensuing year.”

	FOR	AGAINST	OPEN
Number of Votes	23,309,629	111,116	201,594
Percentages of Votes	98.68%	0.47%	0.85%

“That, Ms Linda Jenkinson be elected as a Director of the Company”

	FOR	AGAINST	OPEN
Number of Votes	23,424,277	16,489	164,245
Percentages of Votes	99.23%	0.07%	0.70%

“That, Mr Stephen Donovan be re-elected as a Director of the Company”

	FOR	AGAINST	OPEN
Number of Votes	23,298,769	248,465	64,245
Percentages of Votes	98.68%	1.05%	0.27%

“That, pursuant to ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the Company having the additional capacity to issue equity securities up to 10% of the issued capital of the Company (at the time or agreement to issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

	FOR	AGAINST	OPEN
Number of Votes	20,828,804	6,971,688	64,245
Percentages of Votes	74.75%	25.02%	0.23%

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 165,100 Options and the issue of underlying Shares in respect of the Options, to Grant Straker, the CEO of the Company, or his nominee(s), pursuant to the Company’s 2020 LTI Employee Share Option Plan, on the terms and conditions set out in the Explanatory Statement.”

	FOR	AGAINST	OPEN
Number of Votes	14,870,018	6,832,961	64,245
Percentages of Votes	68.31%	31.39%	0.30%

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 78,300 Options and the issue of underlying Shares in respect of the Options, to Merryin Straker, a related party of the Company, or her nominee(s), pursuant to the Company’s 2020 LTI Employee Share Option Plan, on the terms and conditions set out in the Explanatory Statement.”

	FOR	AGAINST	OPEN
Number of Votes	14,855,018	6,847,961	64,245
Percentages of Votes	68.24%	31.46%	0.30%

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 300,000 Options and the issue of underlying Shares in respect of the Options, to Linda Jenkinson, a Director elect of the Company, or her nominee(s), pursuant to the Company’s 2020 LTI Employee Share Option Plan on the terms and conditions set out in the Explanatory Statement”

	FOR	AGAINST	OPEN
Number of Votes	20,832,376	6,968,116	64,245
Percentages of Votes	74.76%	25.01%	0.23%

“That, for the purposes of ASX Listing Rule 7.2, Exception 13(b) and for all other purposes, Shareholders re -approve the adoption of the 2020 LTI ESOP and any issue of Options under the 2020 LTI ESOP for a further three years from the date of this Resolution as an exception to ASX Listing Rule 7.1 on the terms and conditions set out in the Explanatory Statement.”

	FOR	AGAINST	OPEN
Number of Votes	14,718,506	6,952,303	64,245
Percentages of Votes	67.72%	31.99%	0.30%

Voting

CONTACT

CEO - grant@straker.ai

CFO - david.ingram@straker.ai