H1 FY25 Results

27 November 2024

ASX and MEDIA RELEASE

FINANCIAL RESULTS FOR THE HALF YEAR TO 30 SEPTEMBER 2024

Straker continues to deliver cash generation

Technology-led, next generation language and localisation services provider Straker Ltd (ASX: STG) reports solid Adjusted EBITDA and Free Cash Flow with balance sheet strength maintained.

FINANCIAL HIGHLIGHTS[1]:

- H1 FY25 Revenue of $22.7m with cash receipts higher at approximately $24m
- Gross Margin remained exceptionally strong at just over 67%, up 640 basis points versus the previous corresponding period (pcp)
- Consistent profitability with H1 FY25 Adjusted EBITDA of $1.67m
- Continued positive Operating Cash Flow with $1.67m delivered, up almost 17% versus the immediate preceding Half
- Another Half of Free Cash Flow (FCF) with $0.73m generated, triple the immediate preceding Half
- Balance sheet strength maintained with cash of $11.95m, slightly lower versus March 31, 2024 due to FX impact offsetting FCF
- Straker remains debt free

OPERATING HIGHLIGHTS:

- Inaugural contribution of AI subscription revenue, derived from AI Verify launched late in Q4 FY24
- Swiftbridge, our AI-powered fintech solution for listed company regulatory compliance, developed with IBM, is nearing market launch
- Efficiency improvements continue with overall staffing levels down 12% vs pcp and 10% lower vs the immediate preceding Half, driven by major reduction in Production segment
- Our Managed Service business continues to grow rapidly up 17% versus the immediate preceding Half
- Rollout of Slack workplace app into 8,000 IBM users proceeding smoothly

CEO and Co-founder Grant Straker said:

"For H1 FY25 Straker continued the focus on profitability. Pleasingly, we have delivered another exceptional Gross Margin outcome, at 67.2% for the period, well up on the FY24 result of 63.8%.

[1] All figures are in NZ$ unless stated.

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Operating cash flow and Adj EBITDA were strongly positive, and we generated further Free Cash Flow, whilst costs declined.

"Market conditions overall remain subdued, which has impacted Revenue this Half. Straker, continues to be protected, to an extent, by a high degree of geographical and customer spread and, increasingly, product diversification. I want to highlight in particular the initial contribution of subscription revenue from AI Verify which was launched just before the end of FY24. At roughly $0.5m we expect this high margin revenue to ramp up at a healthy rate going forward. Notwithstanding this, our Full Year result will be negatively impacted by the IDEST business, as previously disclosed to the market, but we maintain an optimistic outlook for ongoing profitability and, of course, our cashed-up balance sheet.

FINANCIAL RESULTS

Revenue for the six months to 30 September 2024 was $22.7m, down 11% versus the pcp. Compared to H2 FY24, however, the Revenue decline was more moderate, at 7%. Cash collections remained excellent with Cash Receipts of $24m, 105% of Revenue.

Throughout the period we continued to see variable trends across geographies and business lines. APAC, our biggest geographical segment, had one if its biggest Half Years in several reporting periods, up over 20% versus PCP. North America experienced slow market conditions, however, the EMEA region was the key contributor to the Revenue decline this Half.

Due to the non-renewal of two material contracts in the IDEST business the Board has taken the decision to write off the $2.23m of intangibles associated with that business. These contracts, with EU institutions, were of materially lower Gross Margin than the Straker average Gross Margin.

On a Product line basis, we delivered an initial $0.448m of AI subscription revenue. Our growing suite of AI-driven applications, including AI Verify are key to increasing such Revenue and 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. Also strongly benefitting Gross Margin is the continued growth in the Managed Services business which grew 17% versus the immediate preceding Half.

A standout feature of Straker's recent financial results has been very robust Gross Margin and this result was no different. Gross Margin remained at record levels at just over 67%, for 1H FY25, up 640 basis points versus the previous corresponding period (pcp). The Company expects Gross Margin to remain at least around current levels.

Overall opex, excluding capitalised development, impairment, and depreciation and amortisation, was $14.6m, down ~5% compared to the $15.4m reported in the pcp. A reduction in Production costs was the main contributor. Over the period Straker has continued to reduce headcount in the Production segment, as well as overall staffing levels, to sustainably reduce the cost base of the business. Resourcing in the Production segment has nearly halved since FY23 and dropped 24% this Half versus the pcp. Overall headcount declined 12% this Half versus the pcp which will enhance our operating leverage going forward.

Assisted by strong Cash Receipts, Operating Cash Flow in H1 FY25 was $1.67m, up 17% versus the immediate preceding Half but down compared to the pcp. Free Cash Flow (FCF) generation continues to be a hallmark of Straker's financial results with $0.73m produced this Half, triple the preceding Half Year.

Straker's balance sheet remains healthy and debt free. This Half's FCF, however, was offset by FX movements thus cash remained essentially flat at $11.95m.

Authorisation
This announcement has been authorised for release by the Board 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