



Results for announcement to the market		
Name of issuer	Rakon Limited (RAK)	
Reporting Period	12 months to 31 March 2020	
Previous Reporting Period	12 months to 31 March 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$118,980	4.4 %
Total Revenue	\$118,980	4.4%
Net profit/(loss) from continuing operations	\$3,980	18.3%
Total net profit/(loss)	\$3,980	18.3%
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividends are proposed to be paid.	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.36	\$0.35
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the comments on the following pages and the audited financial statements released in conjunction with this announcement	
Authority for this announcement		
Name of person authorised to make this announcement	Maureen Shaddick	
Contact person for this announcement	Anand Rambhai	
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Date of release through MAP	29/06/2020	

Audited financial statements accompany this announcement.

RAK FY2020 RESULTS ANNOUNCEMENT COMMENTARY

29 June 2020

Steady revenue growth, strong cash flow & promising future

NZ\$m ¹ , audited	2020 ³	2019 ³	% change
Revenue	119.0	114.0	+4%
Underlying EBITDA ²	14.8	13.3	+11%
Net profit after tax	4.0	3.4	+18%
Operating expenses	48.1	47.3	+2%
Operating cash flow	9.4	(1.8)	+632%
Net debt	7.9	7.7	+3%

¹ All amounts are in NZ\$ unless otherwise indicated.

² Refer to Note 4 of the 2020 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to NPAT.

³ Refers to the year ended 31 March.

High technology company Rakon Limited ('Rakon' or the 'Group') is pleased to post net profit after tax of \$4.0m (2019: \$3.4m), and Underlying EBITDA of \$14.8m (2019: \$13.3m) for the year ended 31 March 2020. Rakon has exceeded its earlier guidance of \$12m to \$14m for 2020, reflecting a much stronger than expected finish to the year from a higher share of business in the Telecommunications segment.

Reported Underlying EBITDA for the year to 31 March 2020 includes a positive impact of \$3.1m from the adoption of IFRS 16 *Leases*.

Momentum continues to build in the Telecommunications market and Rakon's new Mercury+, Neptune and Mercury ultra-stable frequency control products have gone into the early deployment of 5G in South Korea, China and the US. Rakon products are designed into all of the major global suppliers of 5G technology, so remains well placed for future growth.

Managing Director Brent Robinson said recent global events caused by the Covid-19 pandemic demonstrate more than ever the need for high performing telecommunications infrastructure. Rakon is confident the demand for 5G will accelerate with increasing global expectation for highly reliable, high-speed communications and data transfer. The call for high performance frequency control products is also emerging for autonomous vehicle and health applications and continues to evolve in the Space and Defence and Global Positioning markets. Rakon's strategy is to be first to market and world leading for frequency control solutions.

Rakon's revenue was higher from data centre customers, as they invested to meet growing world-wide data needs. Further expansion into this industry will continue to be a focus in the coming year. Revenue from Global Positioning was lower due to price competition within a particular high volume, low margin segment. Rakon continues to move away from low margin consumer products.

Space and Defence also saw lower revenue for the year due predominantly to the phasing of long-term projects. However, Rakon remains confident and well placed in the Space and Defence market and is exploring new opportunities for its products to capitalise in the new space sector where there is growing use of low earth orbit satellites replacing traditional geo orbital satellites.

During the year, the inventory obsolescence provision rose by \$3.3m. Consumption of slow moving products was lower than expected and a more aggressive view was taken. Actions continue in the coming year to streamline and reduce exposure to slow moving products.

Reported operating cash flow was \$9.4m for the year however included \$3.1m relating to IFRS 16 *Leases*. Overall net debt was \$7.9m (2019: \$7.7m) and included the final \$2.1m payment for the acquisition of Rakon India. Rakon Group now owns 100% of its manufacturing business in India. This is a cornerstone in Rakon's manufacturing strategy and also provides a solid footprint for expansion into the India market.

During the year ended 31 March 2020, Rakon continued to focus on developing its photolithography microfabrication process for the NZ manufacturing plant. "The recently announced XMEMS NanoQuartz technology which competes with silicon based technology has been well received" said Brent Robinson.

Covid-19 has had a negative short-term impact on the Group with the New Zealand and Indian manufacturing operations severely restricted for periods of time, however the medium to long term effects are not expected to be materially adverse. Some of Rakon's business was recognised as essential and continued or resumed operations during the Covid-19 lockdowns. All manufacturing is forecast to return to full production by the end of June 2020.

Brent Robinson said "Covid-19 could have been much worse for Rakon and I am immensely proud of the way our team responded to safeguard the future of the company".

The Board of Directors has declared that no dividend is to be paid for 2020. Rakon maintains a dividend policy such that it will pay a dividend of up to 50% of the after tax profit, if considered fiscally appropriate. The payment of dividends is subject to the approval of Rakon's bank, ASB Bank, under its facility arrangement.

The Directors confirm that this 2020 results announcement is based on audited results which are not subject to any qualification.

Brent Robinson

Chief Executive Officer & Managing Director

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www.rakon.com

About Rakon

Rakon is a global high technology company and a world leader in its field. The company designs and manufactures advanced frequency control and timing solutions. Its three core markets are Telecommunications, Global Positioning and Space and Defence. Rakon products are found at the forefront of communications where speed and reliability are paramount. The company's products create extremely accurate electric signals which are used to generate radio waves and synchronise time in the most demanding communication applications.

Rakon has five manufacturing plants, including two joint venture plants, and has six research and development centres. Customer support personnel are located in sixteen offices worldwide.

Rakon is proud of its New Zealand heritage; it was founded in Auckland in 1967. It is a public company listed on the New Zealand stock exchange, NZX, ticker code RAK.

Other Information

A. Control gained and lost over Entities (NZX Listing Rules Appendix 2)

Rakon Limited has gained control over the following entities during the period:

Nil

B. Associates & Joint Ventures (NZX Listing Rules Appendix 2)

Rakon Limited has the following associate entities and joint venture arrangements.

	Shareholding
Chengdu Timemaker Crystal Technology Co. Limited	40%
Shenzhen Taixiang Wafer Co, Limited	40%

The contribution of Chengdu Timemaker and Shenzhen Taixiang (together the Timemaker group) to Rakon Limited's net results from ordinary activities is a net profit after tax of \$797,000 (2019: net profit after tax \$1,050,000).

C. Business Changes (NZX Listing Rules Appendix 2)

Nil

D. Directors' Declaration (NZX Listing Rules Appendix 2)

The Directors declare that the financial statements released in conjunction with this announcement have been prepared in compliance with applicable financial reporting standards. The accounting policies the Directors consider critical to the portrayal of Rakon Limited's financial condition and results which require judgements and estimates about matters which are inherently uncertain are disclosed in each note of the audited financial statements that form part of this announcement.