

FY2015 Financial Results & Business Update

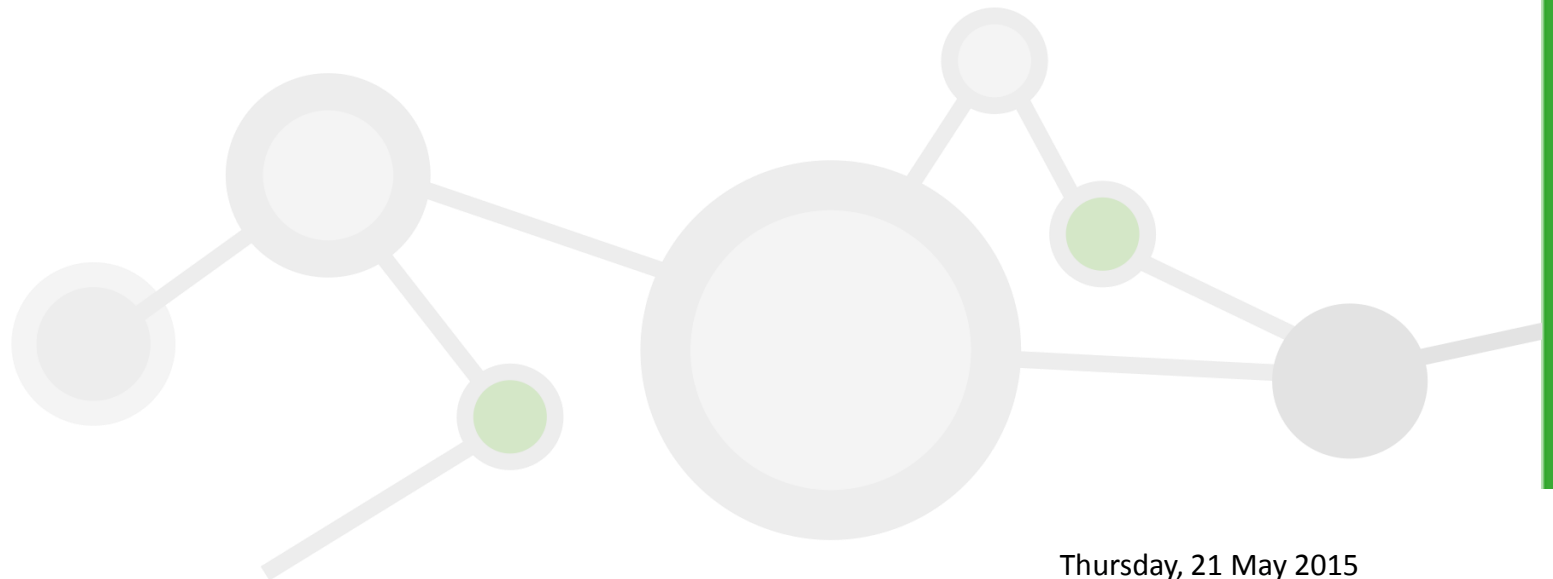
rakon



Agenda Item	Presenter
FY2015 Financial & Operational Key Points	Brent Robinson (CEO, Managing Director)
Strategy – FY2015 Scorecard	Simon Bosley (Chief Financial Officer)
FY2015 Financial Review	Simon Bosley
Market Update	Brent Robinson
FY2016 Outlook	Brent Robinson
Q&A Session	
Closing Comments	Brent Robinson
Appendix	
Use of Non-GAAP Financial Information	

**Brent Robinson****Simon Bosley**

FY2015 Financial & Operational Key Points



< Return to profit

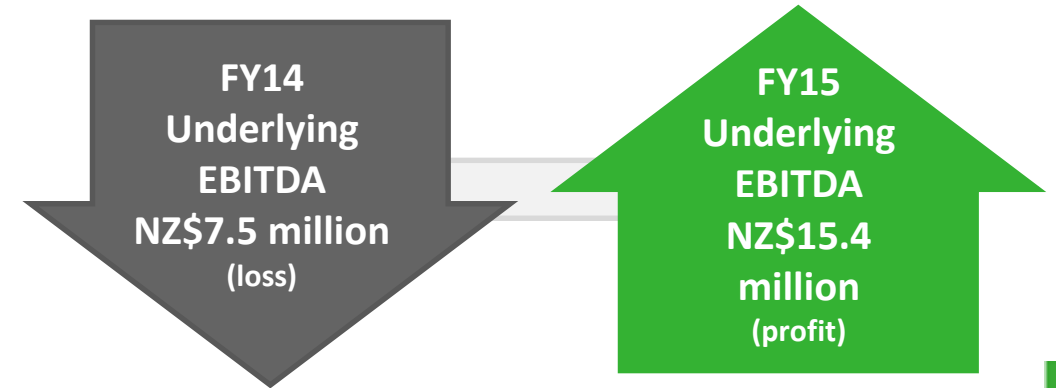
- ❑ NPAT of NZ\$3.2m vs FY2014 loss of NZ\$83.8m
- ❑ First half loss recovered, recording a second half profit of NZ\$6.6m

< Underlying EBITDA* of NZ\$15.4m

- ❑ Increase of NZ\$22.9m vs FY2014 loss of \$7.5m
- ❑ Strong second half performance, recording underlying EBITDA of NZ\$11.1m
- ❑ All Business Units now contributing underlying EBITDA profits, turnaround complete

< Significant increase in gross profit

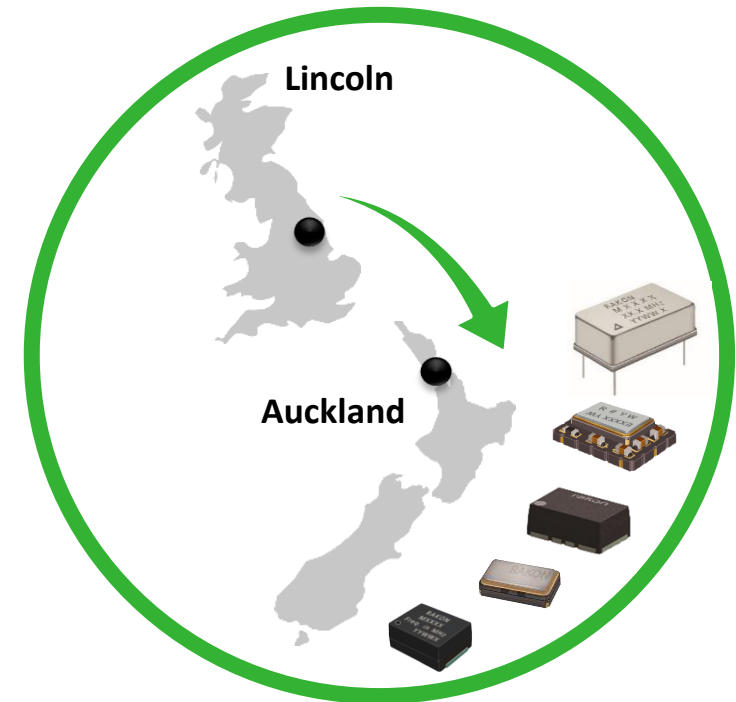
- ❑ Gross profit up 46% to NZ\$41.8m (FY2014: NZ\$28.7m)
- ❑ Increase due to Telecommunications revenue growth, change in product mix and second half currency benefit
- ❑ Company benefiting from strategy to focus on higher margin markets



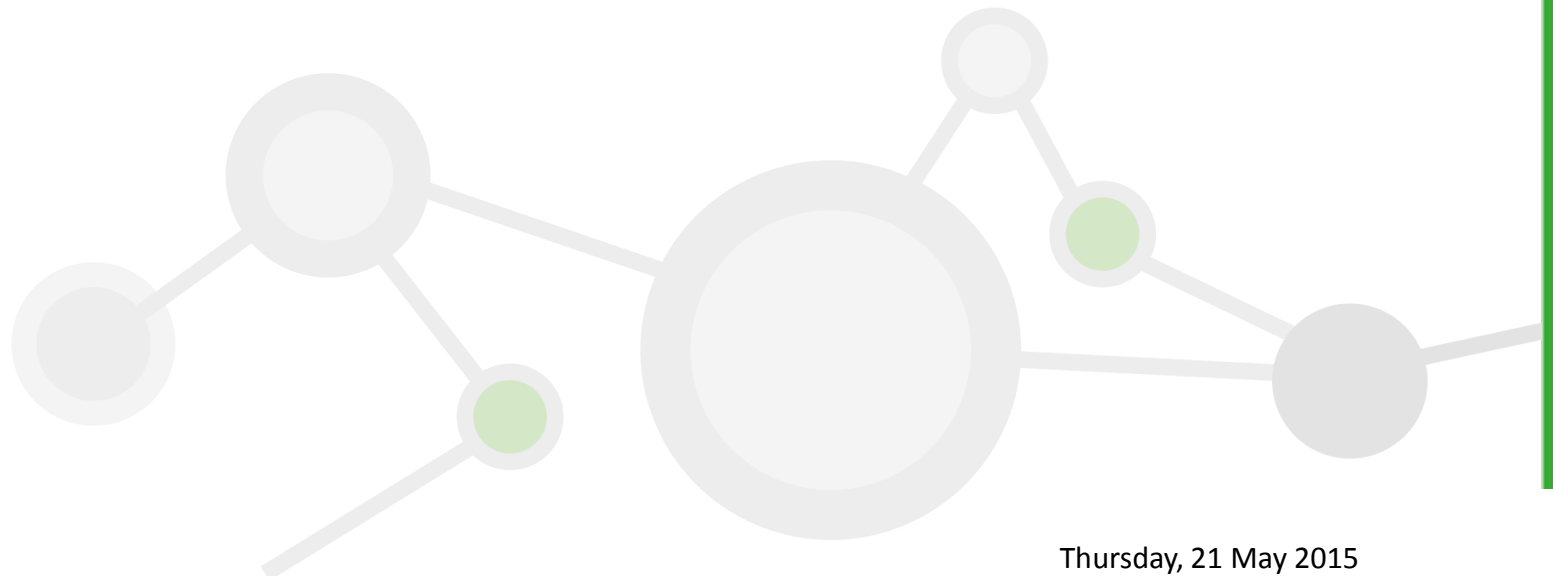
Note: The release of FY2015 results is based on audited financial statements

** Refer to Slide 24–25 'Use of Non-GAAP Financial Information' for a definition of Underlying EBITDA and reconciliation to NPAT*

- ◀ Lincoln, UK manufacturing plant closed in line with FY2015 plans
 - ❑ Operating expenses reduced from second half
 - ❑ Lincoln plant sold with a NZ\$1.0m gain on sale reported
- ◀ NZ manufacturing volumes ramped up from UK transfer and additional demand
 - ❑ Order backlog normalised by 31 March
- ◀ Growth in Telecommunications market
 - ❑ Strong growth in Small Cell market as networks invest in supporting infrastructure

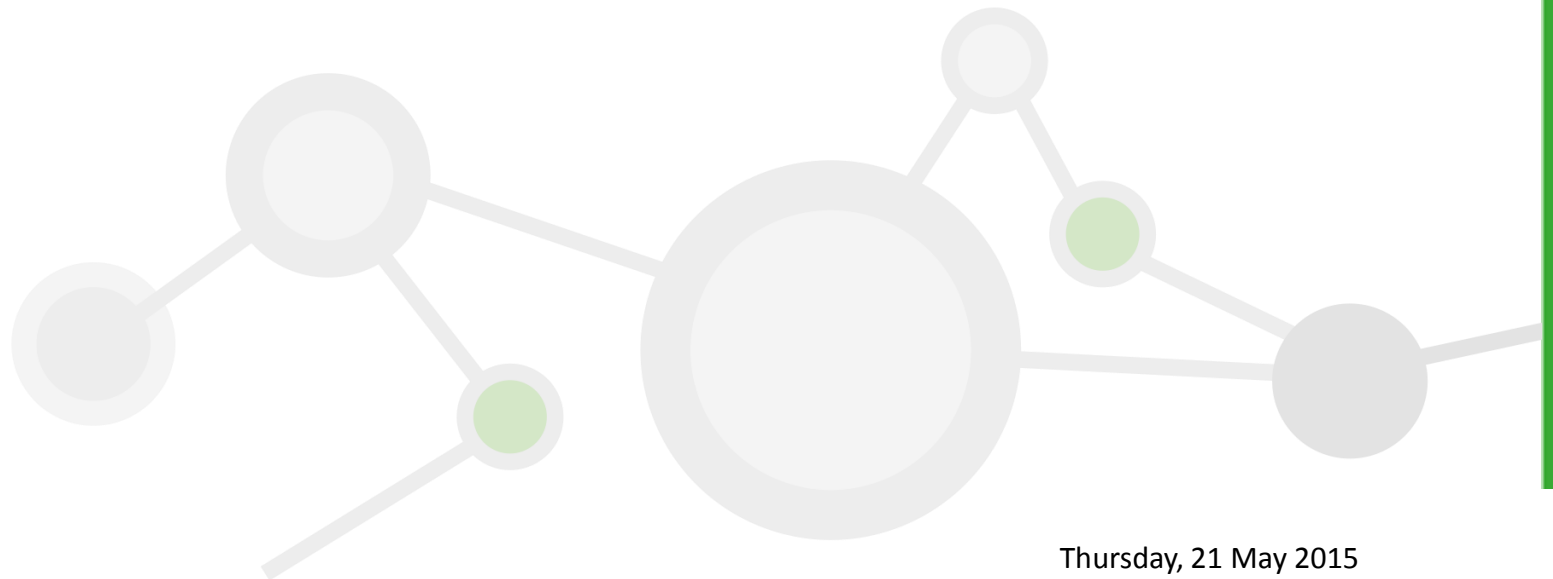


Strategy – FY2015 Scorecard



Strategic Focus Area	FY2015 Strategic Priority	Outcome	Status
Telecommunications	Growth from 4G/LTE global deployment	<ul style="list-style-type: none"> Achieved Record OCXO volumes 	Ongoing
Global Positioning	Shift in focus to specialised applications	<ul style="list-style-type: none"> Achieved Revenue mix changing from PND to applications with higher margin 	Ongoing
Space and Defence	Develop a global market position by expanding beyond well established European markets	<ul style="list-style-type: none"> Not Achieved Penetration of new and emerging markets taking time 	Ongoing
R&D	Continue the development of disruptive technologies	<ul style="list-style-type: none"> Achieved Release of fully integrated OCXO 	Ongoing
Operating Platforms / Efficiency	Implement the transfer of Lincoln manufacturing to NZ	<ul style="list-style-type: none"> Achieved Lincoln plant closed and sold 	Complete
People	Embed new organisational structures following FY2014 restructuring and market re-focus	<ul style="list-style-type: none"> Achieved Resources realigned to target markets 	Complete

FY2015 Financial Review



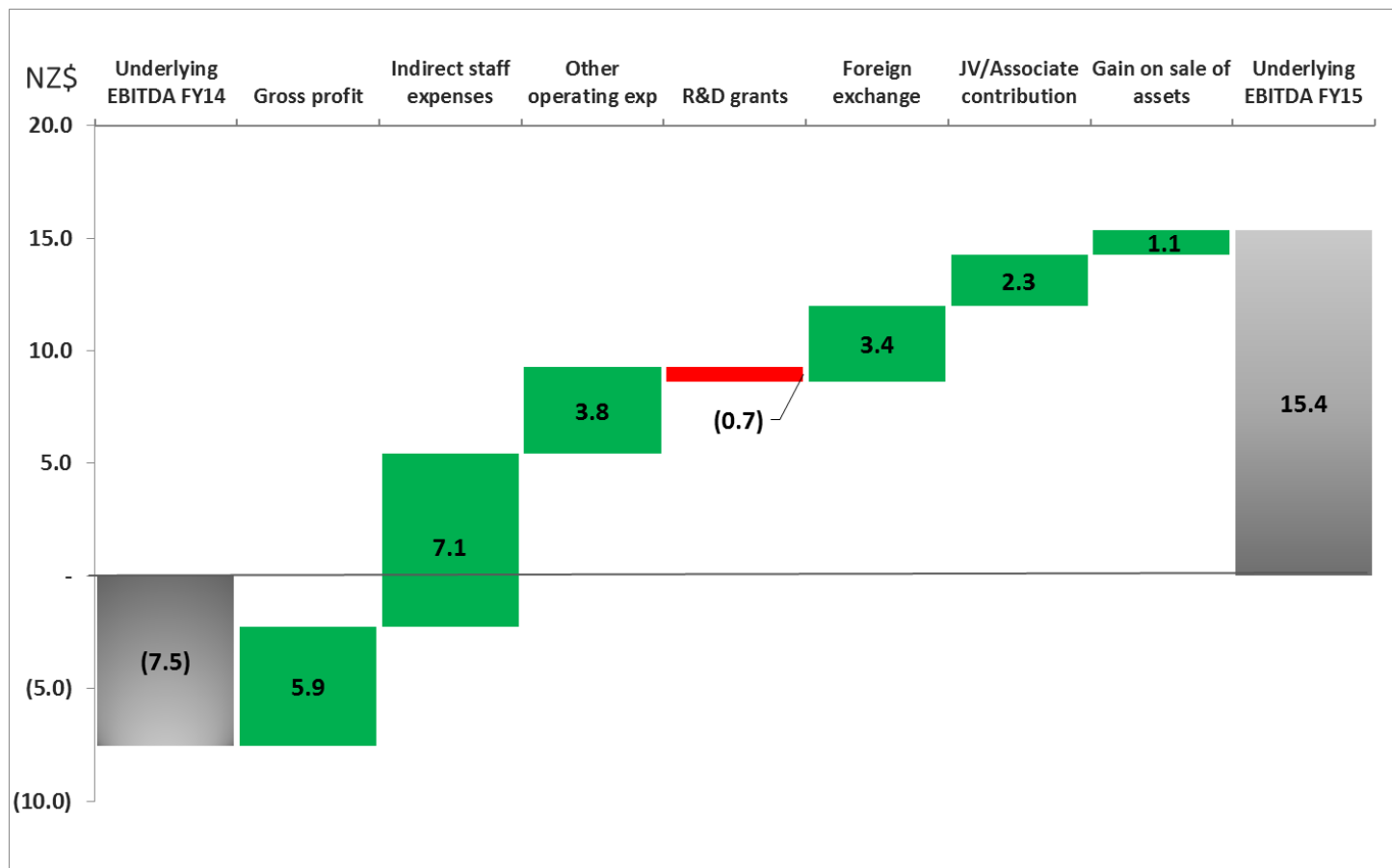
NZD Millions	FY15	FY14	% change
Volumes (millions)	56.4	108.7	(48.1)
Revenue	131.4	150.0	(12.4)
Gross profit	41.8	28.7	45.6
Operating expenses	46.2	56.6	(18.3)
Underlying EBITDA*	15.4	(7.5)	>100.0
Depreciation & amortisation	7.9	16.4	(51.7)
Net profit/(loss) after tax	3.2	(83.8)	>100.0
Earnings (cents per share)	1.7	(41.7)	>100.0
Operating cash flow	(3.6)	12.5	(>100.0)
Capital expenditure	5.7	5.9	(3.6)
Bank borrowings	12.0	10.9	10.1
Net debt	13.4	6.4	>100.0
Shares on issue at balance date (millions)	191.0	191.0	-

- Volume and revenue reduced through strategy to move away from the Smart Wireless Device market
- Gross profit includes a strong second half of NZ\$24.8m
- Operating expenses reduced NZ\$10.4m due to benefits from FY2014—FY2015 structural change programme
- Reduced depreciation & amortisation due to lower recent capital expenditure investment

Note: The release of FY2015 results is based on audited financial statements

** Refer to Slide 24–25 'Use of Non-GAAP Financial Information' for a definition of Underlying EBITDA and reconciliation to NPAT*

Underlying EBITDA – FY2014 to FY2015 Bridge

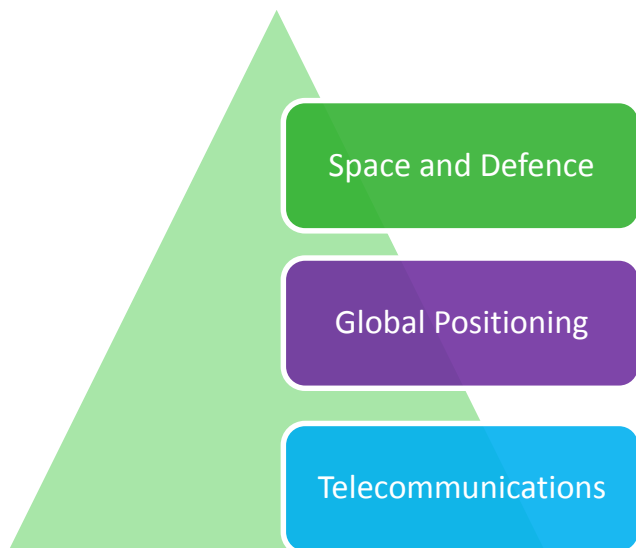


- Increase of NZ\$22.9m vs FY2014
- Contribution in a number of P&L line items to improved underlying EBITDA*
- Gross margin increasing in both dollar and % terms
- Includes foreign exchange benefit from the revaluation of AR/AP
- Strong growth and contribution in equity accounted earnings from the Centum Rakon JV

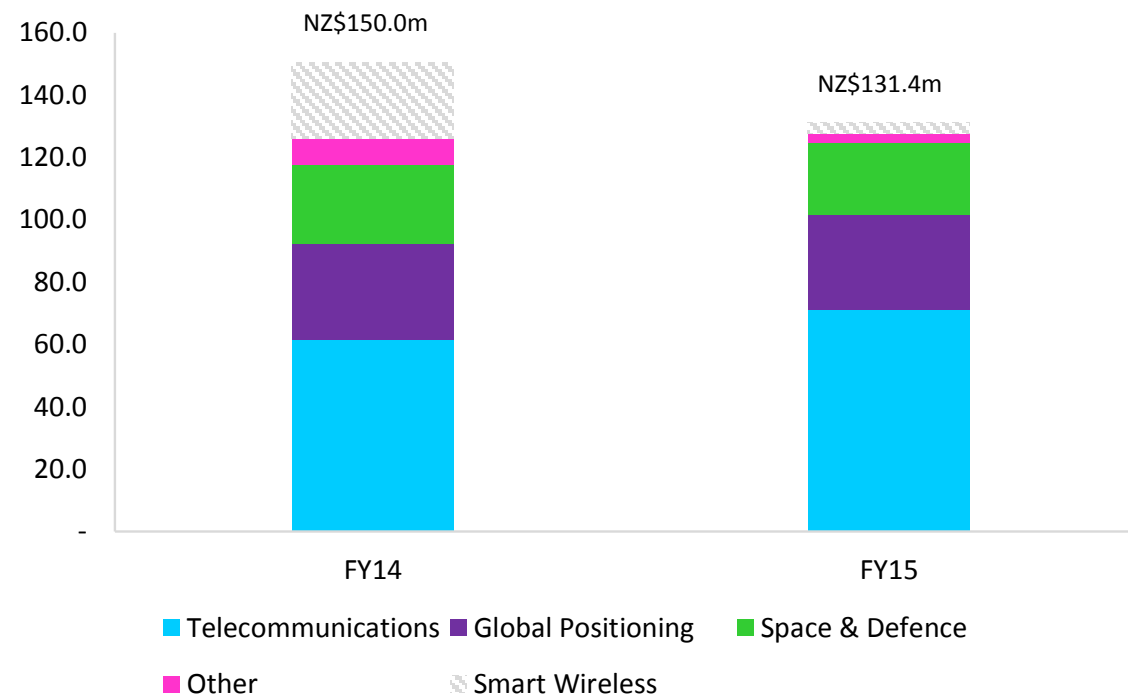
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- Telecommunications' revenue increase of 16% from FY2014 to FY2015
- Global Positioning overall flat with application transition at higher margins
- Space & Defence reduction due to tough European environment



Revenue NZ\$m



- ◀ Reduction in finance costs of \$0.4m vs FY2014 to NZ\$1.3m
- ◀ Cash flow from operating activities -NZ\$3.6m impacted by cash outflows for FY2014 restructuring provisions (NZ\$4.7m) and working capital growth (NZ\$2.5m)
 - ▣ Forecasting positive operating cash flows for FY2016
- ◀ Net debt of NZ\$13.4m as at 31 March 2015, below internal forecasts for the year
- ◀ NZ\$18m cash advance facility renewed with the bank to 31 May 2016; reduced from previous facility of NZ\$22m

Market Update



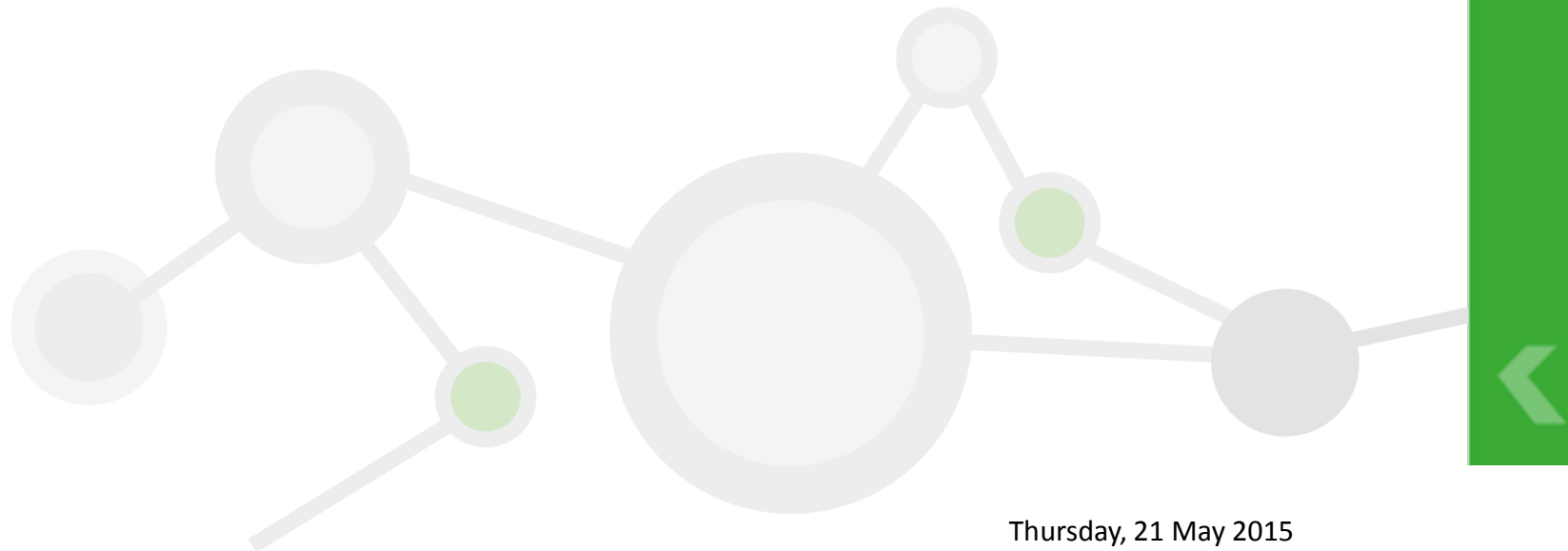
Telecommunications



Global Positioning

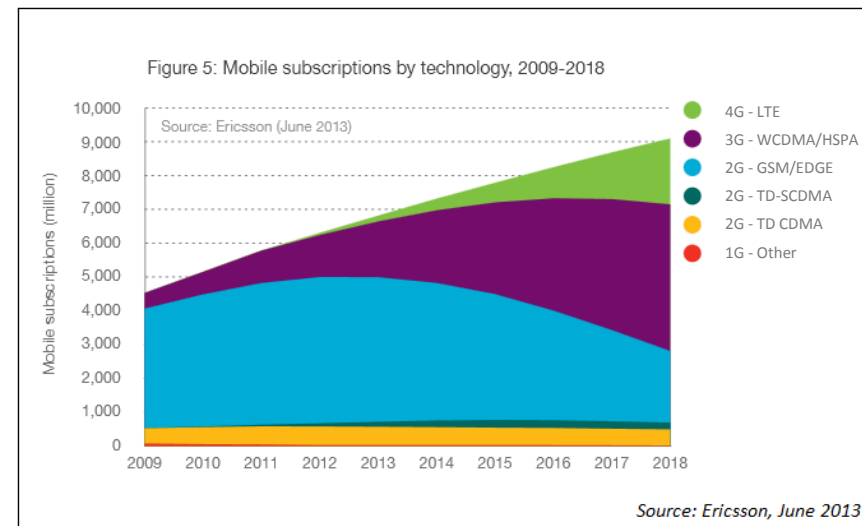


Space and Defence





- Strong demand for new 4G mobile base stations, delivered record OCXO volumes for the Rakon Indian factory in FY2015
- USA, China, Japan and Indian markets in particular led the 4G rollouts
- Early in calendar year 2015 4G base station demand has cooled, with two large US operators being focused on acquisitions rather than spending on deployment
- With the smartphone's insatiable appetite for data and 4G technology still being very early in deployment, Telecommunication equipment manufacturers are expecting strong demand to return in the second half of 2015
- Infrastructure to support the new base stations and expand the capacity of the internet, is driving record demand in fibre optics, wired and wireless equipment; all require high specification frequency and timing products
- Rakon's current and new product portfolio is well positioned to catch the growth for this new equipment



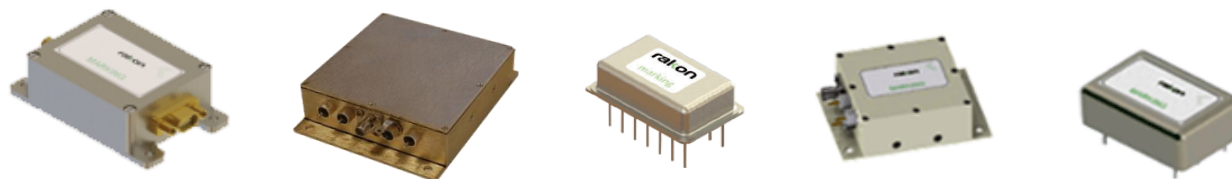


- ✦ Rakon has a strong reputation in the Global Positioning market and remains the leading frequency control supplier
- ✦ Despite the steady decline in PND volumes, Rakon maintained a flat revenue for the year with improved margins
- ✦ Margin improvements are coming from the underlying growth of commercial and industrial GPS applications where performance and reliability are paramount
- ✦ With autonomous cars soon becoming a reality, accuracy and dependability of the GPS sensor is essential, playing to Rakon's strengths
- ✦ GPS technology embedded into sports cameras and consumer drones promises high volume demand in the future
- ✦ Record quantity of TCXO's for emergency beacons were delivered in FY2015 and demand is forecast to grow 15% in the coming year
- ✦ IoT – Internet of Things; Cisco predict 50 billion connected devices by the year 2020. GPS will be a key sensor to enable these devices

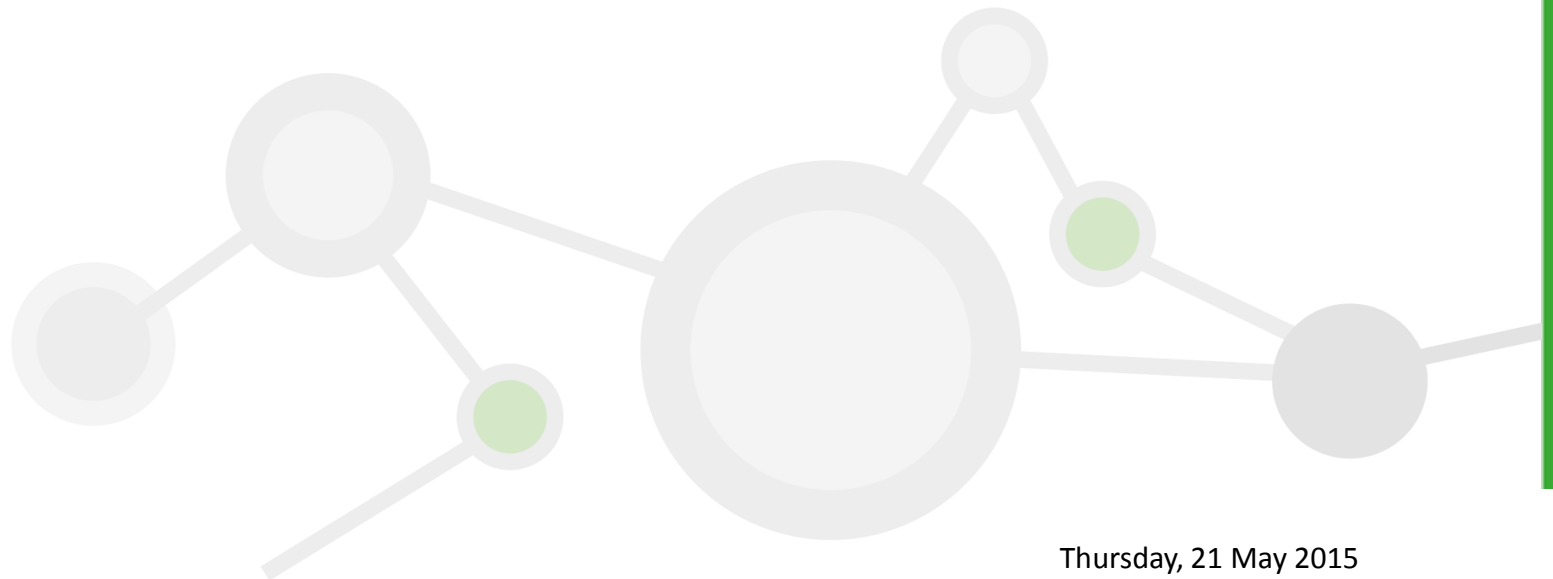




- ◀ Defence market revenue continues to trend up
- ◀ Space market in Europe has been soft in FY2015. With the introduction of the new ESA qualified product platform, order growth is expected in the coming year and will help reverse the European Space revenue trend in the following year
- ◀ Expanded focus into US, India and Asian markets beginning to yield new important design wins
- ◀ Development of the world's highest short term stability Oscillator (10^{-14}) expected to generate revenue growth
- ◀ New high end radar sub-systems are capturing new customers



FY2016 Outlook



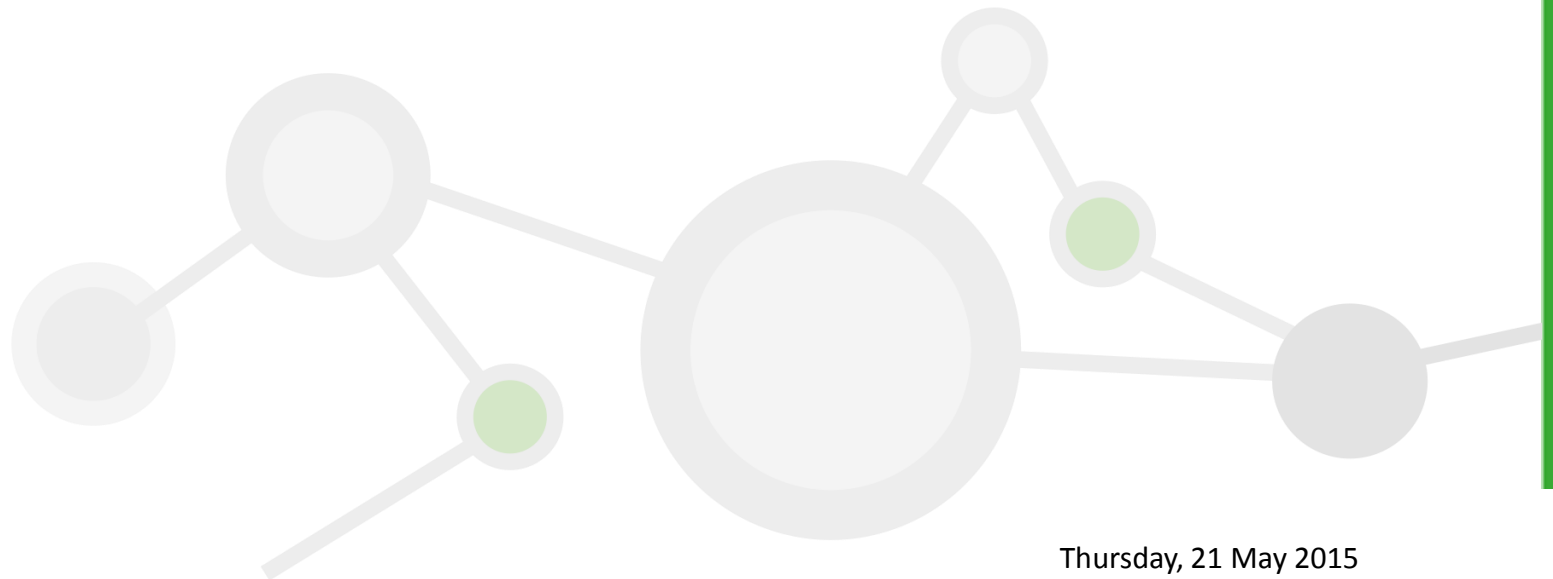
- ◀ Expecting revenue growth following on from FY2015
 - ▣ Continuing growth in the Telecommunications market
 - ▣ The phasing of FY2016 revenue delivery is expected to be similar to FY2015, with a stronger second half expected

- ◀ A full year benefit of the Lincoln plant closure will be realised in FY2016

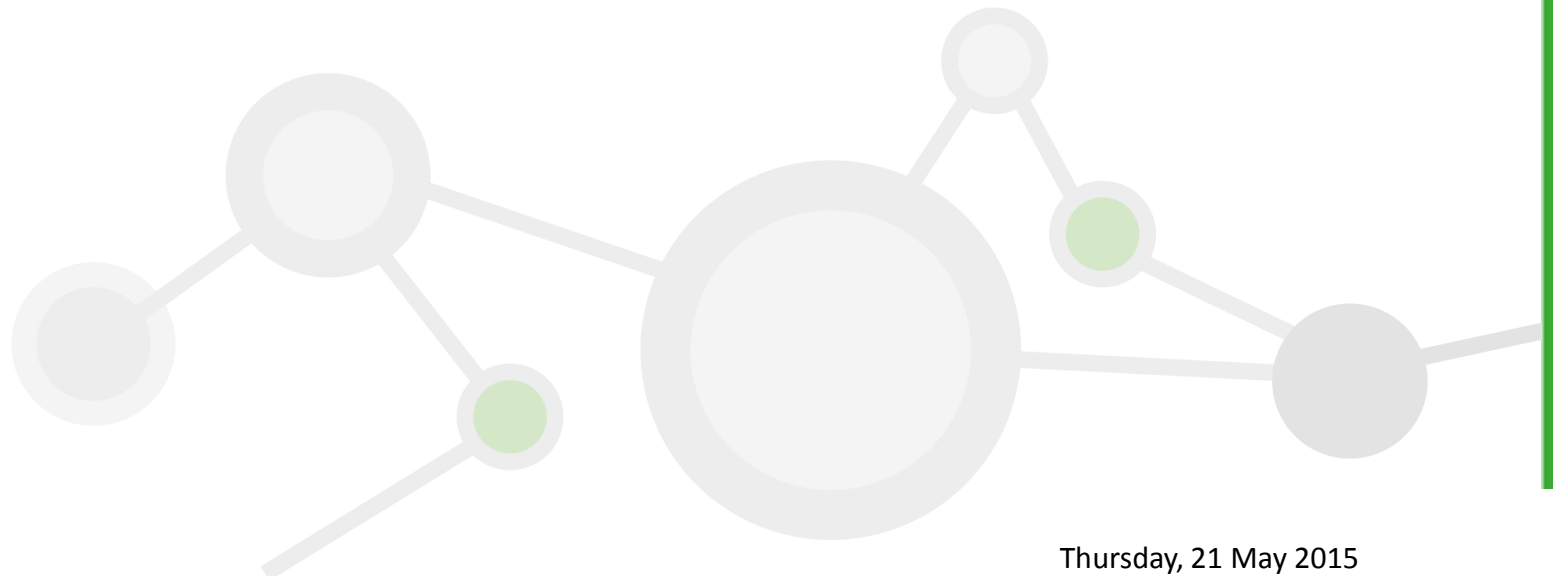
- ◀ Benefits of a lower average NZD:USD exchange rate are expected for FY2016 with a strong hedge position in place



Q&A Session

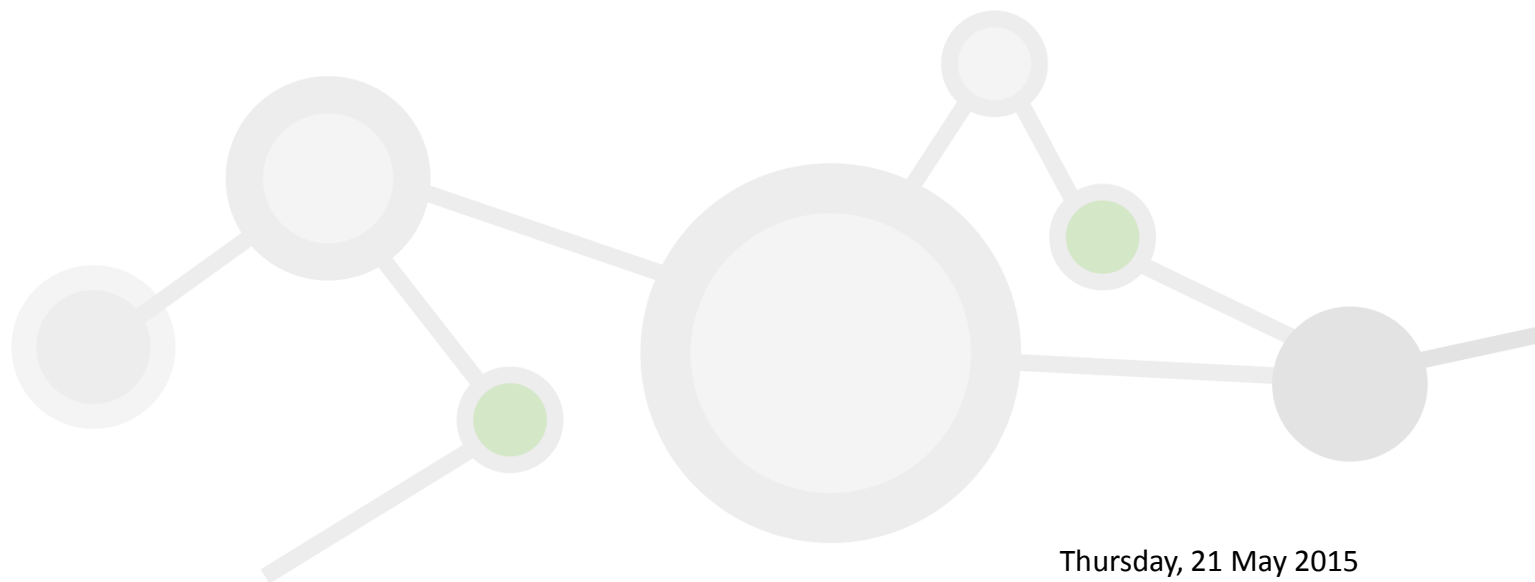


Closing Comments



- ◀ Following structural realignment the company has now turned around to be in profit
 - Following structural realignment, NZ\$87m profit turnaround achieved in FY2015
 - FY2016 will be a full year of stability for us following the recent 2 years of structural change
- ◀ The strategy remains unchanged and we will focus our efforts on progress against the strategic plan
- ◀ The key market of Telecommunications has a growth outlook
- ◀ We are optimistic for our FY2016 earnings
- ◀ The Board maintains a similar position on a dividend
 - Needing to be fiscally prudent

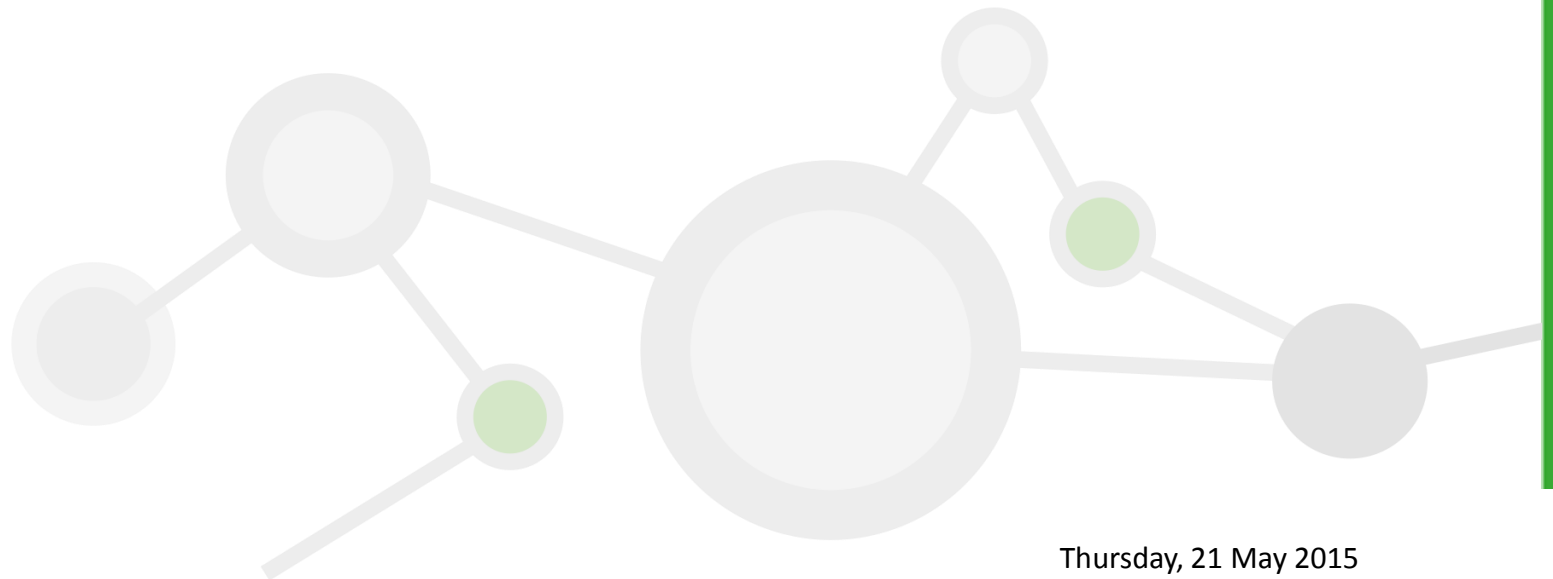
Appendix



Our Vision	To be the preferred ‘frequency control product’ supplier to the Telecommunications, Global Positioning and Space & Defence markets with best-in-class application knowledge						
Strategic Focus	Focus on Markets for Growth & Profitability			Technology Development		Operational Excellence	
	Telecom	Global Positioning	Space & Defence	Products / Applications	R&D	Operating Platforms / Efficiency	People
	<ul style="list-style-type: none"> • Growth from 4G/LTE global deployments • Leverage the current strength in customer base and design-in activities • Capture market share through technology transitions <ul style="list-style-type: none"> - Small cells 	<ul style="list-style-type: none"> • Maintain strong market share through superior product performance • Shift in focus to specialised applications <ul style="list-style-type: none"> - Agriculture - Mining - Asset tracking 	<ul style="list-style-type: none"> • Develop a global market position by expanding beyond well established European markets • Leverage new product and platform developments 	<ul style="list-style-type: none"> • Develop application specific technology solutions and next generation products • Development of products for future emerging markets 	<ul style="list-style-type: none"> • Focus on delivering the technology roadmap • Continue the development of disruptive technologies • Build on best practice ‘select-to-launch’ process • Leverage strength of site specific experience & expertise 	<ul style="list-style-type: none"> • Further streamline the integration of manufacturing transferred to NZ • Focus on speed • Standardise Rakon global quality systems to ensure best in class quality 	<ul style="list-style-type: none"> • Ongoing global effort and accountability to deliver the strategic plan • Upgrading HRIS for integration of people with strategy
Overarching Objective	We will focus on shareholder value creation and our objective is to achieve an overall ROE > 12%						



Notes & Disclaimer



Disclosure of Non-GAAP Financial Information

Rakon has used 'Underlying EBITDA' as a measure of non-GAAP financial information in this announcement and it is defined as:

"earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of assets, employee share schemes, non-controlling interests, adjustments for associates and joint ventures share of interest, tax & depreciation, and other non-cash items."

'Underlying EBITDA' is a non-GAAP measure, with its presentation not being in accordance with GAAP. The Directors present 'Underlying EBITDA' as a useful non-GAAP measure to investors, in order to understand the underlying operating performance of the Group and each operating segment, before the adjustment of specific non-cash charges and before cash impacts relating to the capital structure and tax position. 'Underlying EBITDA' is considered by the Directors to be the closest measure of how each operating segment within the Group is performing. Management uses the non-GAAP measure of 'Underlying EBITDA' internally, to assess the underlying operating performance of the Group and each operating segment.

The use of 'Underlying EBITDA' in this presentation for the full years of FY2014 and FY2015 has been extracted from audited financial statements.

Reconciliation of 'Underlying EBITDA' to Net profit/(loss) for the year

31 March 2015	Continuing operations (\$000s)	Discontinued operations (\$000s)	Total (\$000s)
Underlying EBITDA	15,369	-	15,369
Depreciation and amortisation	(7,938)	-	(7,938)
Employee share schemes	(58)	-	(58)
Finance costs - net	(1,272)	-	(1,272)
Adjustment for associates and joint venture share of interest, tax & depreciation	(3,600)	-	(3,600)
Loss on asset sales/disposal	(596)	-	(596)
Other non-cash items	(361)	-	(361)
Profit before income tax	1,544	-	1,544
Income tax credit/(expense)	1,646	-	1,646
Net profit for the year	3,190	-	3,190

31 March 2014	Continuing operations (\$000s)	Discontinued operations (\$000s)	Total (\$000s)
Underlying EBITDA	(9,340)	1,809	(7,531)
Depreciation and amortisation	(15,642)	(804)	(16,446)
Impairment	(19,920)	(21,467)	(41,387)
Loss on disposal of assets (sale of shares in subsidiary)	-	(8,467)	(8,467)
Employee share schemes	(20)	-	(20)
Finance costs - net	(1,717)	2	(1,715)
Adjustment for associates and joint venture share of interest, tax & depreciation	(2,787)	-	(2,787)
Non controlling interest	-	(4,370)	(4,370)
Loss before income tax	(49,426)	(33,297)	(82,723)
Income tax credit/(expense)	(1,076)	-	(1,076)
Net loss for the year	(50,502)	(33,297)	(83,799)

- ◀ This presentation contains not only a review of operations, but also some forward looking statements about Rakon Limited and the environment in which the company operates. Because these statements are forward looking, Rakon Limited's actual results could differ materially.
- ◀ Although Management and the Directors may indicate and believe that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised.
- ◀ Media releases, Management commentary and Investor presentations are all available on the company's website and contain additional information about matters which could cause Rakon Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Rakon Limited.



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