

Results for announcement to the market		
Name of issuer	Rakon Limited (RAK)	
Reporting Period	12 months to 31 March 2019	
Previous Reporting Period	12 months to 31 March 2018	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$113,985	12.7%
Total Revenue	\$113,985	12.7%
Net profit/(loss) from continuing operations	\$3,364	-66.4%
Total net profit/(loss)	\$3,364	-66.4%
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	\$0.35	\$0.34
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	
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Date of release through MAP	16/05/2019	

Audited financial statements accompany this announcement.

COMMENTS

16 May 2019

Steady growth in core business drives improving results

NZ\$m ¹ , audited	FY2019	FY2018	% Change
Revenue	114.0	101.1	13%
Underlying EBITDA ²	13.3	12.1	10%
Net profit/(loss) after tax	3.4	10.0	-66%
Operating expenses	47.3	41.6	14%
Operating cash flow	(1.8)	7.9	-122%
Net cash/(debt)	(7.7)	7.4	-203%

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

² Refer to Note B1 of the FY2019 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.

High technology company Rakon Limited ('Rakon' or the 'Group') posted a net profit after tax of \$3.4m (FY18: \$10.0m), and Underlying EBITDA of \$13.3m (FY18: \$12.1m) for the year ended 31 March 2019. The Group's Underlying EBITDA was in line with earlier guidance provided of between \$12m to \$14m.

The prior year's \$10m net profit after tax included \$8.8m of gains recognised in relation to the sale of property in Argenteuil France. It also included the dilution gain and sale of shares in Thinextra Pty Limited.

Managing Director Brent Robinson said, when the one-off gains are excluded it was pleasing to see the year on year growth in core net profit on the back of stronger 4.5/5G telecommunications infrastructure demand and continuing growth in the Defence segment.

"The roll-out of 5G continues to be our biggest opportunity and challenge. Rakon is well positioned with a good share of business awarded by Tier 1 customers. The challenge for Rakon is to meet existing demand and continue to bring to market new products which meet the higher specifications demanded by 5G applications.

"A key event during the year was the acquisition in May 2018 of the remaining 51% of our previous joint venture Rakon India Private Limited (previously called 'Centum Rakon India Private Limited'). With Rakon now having full decision-making control of India's low cost manufacturing operation, it was pleasing to see India's positive contribution to the Group's full year result," he said.

The current year showed higher operating costs with the inclusion of Rakon India from May 2018 and one-off costs relating to integrating Rakon India into the wider Group.

Net debt was \$7.7m (FY18: was a net cash position of \$7.4m). This movement was due to the impact of higher working capital requirements to support growing revenue, the acquisition of Rakon India, and the investment in additional manufacturing capacity during the year.

The value of Rakon's investment in Thinextra changed from \$5.3m at March 2018 to \$4.5m at March 2019. Thinextra's impact on Rakon's net profit after tax for the year is -\$0.3m. Further explanation is provided in notes B4 d) of the audited financial statements.

The Directors confirm that this FY2019 results announcement is based on audited results.

Brent Robinson

Chief Executive Officer & Managing Director

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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 six manufacturing plants, including two joint venture plants, and has six research and development centres. Customer support personnel are located in fifteen 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, NZSX, ticker code RAK.

Other Information

A. Dividends (NZX Listing Rules Appendix 2)

The Board of Directors has declared that no dividend is to be paid for FY2019. 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.

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

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

On 2 May 2018, Rakon acquired the remaining 51% interest in Rakon India that it did not previously own.

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

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

	Shareholding
Rakon India	(up to 2 May 2018) 49%
Chengdu Timemaker Crystal Technology Co. Limited	40%
Shenzhen Taixiang Wafer Co, Limited	40%
Thinextra Pty Limited	(up to 31 May 2018) 21.4%

Rakon India ceased being a joint venture on 2 May 2018 when Rakon acquired the remaining 51% of securities that it did not previously own. For the period to 2 May 2018 Rakon India's contribution to Rakon Limited's net results from ordinary activities is a net profit after tax of \$76,000 (March 2018: net loss after tax of \$550,000).

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 \$1,050,000 (March 2018: net profit after tax \$908,000).

On 1 June 2018, Rakon irrevocably waived its right to appoint a director to Thinextra's board and concurrently Rakon's appointed director resigned. Accordingly, it was concluded that Rakon lost significant influence in Thinextra on 1 June 2018 and therefore ceased equity accounting the investment. The contribution of Thinextra to Rakon Limited's net results from ordinary activities for the period to 31 May 2018 is a net loss after tax of \$287,000 (March 2018: net loss after tax \$2,123,000). From 1 June 2018, Rakon's investment in Thinextra was accounted for as a financial asset.

D. Audit (NZX Listing Rules Appendix 2)

The financial statements have been audited and are not subject to any qualification.

E. Business Changes (NZX Listing Rules Appendix 2)

Acquisition of remaining shares in Rakon India

On 2 May 2018, Rakon Limited acquired the remaining 51% of the issued shares it did not own in Rakon India, a previously held joint venture which provides products and services to the frequency control industry. Consideration was US\$5.5m and the acquisition was part of the Group's overall manufacturing strategy, providing a low cost manufacturing platform and, in addition, access to the local Indian market in the longer term. Consideration of US\$4.1m was paid on 2 May 2018 with US\$1.4m payable within 18 months of acquisition date.

F. 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.