## Agenda HY2019

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HY2019 Financial Key Points
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Revenue of $53.3m vs. $48.3m in HY2018

- Rakon India contribution of $2.0m
- Like for like revenue up 6% on a NZ$ basis, with growth coming from Telecommunications (up $2.9m) and Space & Defence (up $1.6m), offset by a decline in Global Positioning (down $1.7m)

Strong earnings result

- Net Profit After Tax (NPAT) of $9.2m vs. $0.9m in HY2018
- Underlying EBITDA1 of $5.9m vs. $3.8m in HY2018

Notes:
Rakon India is 100% consolidated from May 2018
Share of Thinxtra losses ceases from 1 June 2018
The release of HY2019 results is based on unaudited financial statements
All figures are presented in New Zealand dollars unless otherwise indicated
1 Refer to Note B1 of the HY2019 Unaudited Consolidated Interim Financial Statements for an explanation of how ‘Non-GAAP Financial Information’ is used, including a definition of ‘Underlying EBITDA’ and reconciliation to NPAT
HY2019 Key Points

Several contributing factors to the net profit movement

- Thinxtra investment re-measured to fair value resulting in a one-off $7.2m gain
- Gross margin improves
  - Mix drives higher GM% (46% vs. 42% in HY2018)
  - Flow through of growth in core business
- Operating expenses grew reflecting higher cost base with inclusion of Indian operations, one off integration costs and FX impact of higher EUR & GBP

$8.3m Net Profit Movement

- HY18 net profit
- Thinxtra remeasured
- Gross margin
- Associate and JV profit
- Other
- HY18 Siward licence
- Operating expenses
- HY19 net profit

Operating expenses breakdown

- Rakon India: (1.0)
- Staff costs: (0.8)
- Foreign exchange translation: (0.7)
- Research and development: (0.6)
- Facilities & other: (0.5)
- Travel & consulting: (0.4)

Total: (4.0)
## HY2019 Key Points

<table>
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<th>NZ$ Millions</th>
<th>HY2019</th>
<th>HY2018</th>
<th>Variance</th>
</tr>
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<tr>
<td>Revenue</td>
<td>53.3</td>
<td>48.3</td>
<td>+5.0</td>
</tr>
<tr>
<td>Gross profit</td>
<td>24.6</td>
<td>20.1</td>
<td>+4.5</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>23.5</td>
<td>19.5</td>
<td>+4.0</td>
</tr>
<tr>
<td>Underlying EBITDA(^1)</td>
<td>5.9</td>
<td>3.8</td>
<td>+2.1</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>2.8</td>
<td>2.3</td>
<td>+0.5</td>
</tr>
<tr>
<td>Net profit/(loss) after tax</td>
<td>9.2</td>
<td>0.9</td>
<td>+8.3</td>
</tr>
<tr>
<td>Earnings (cents per share)</td>
<td>4.1</td>
<td>0.4</td>
<td>+3.7</td>
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<tr>
<td>Operating cash flow</td>
<td>(3.4)</td>
<td>4.9</td>
<td>-8.4</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>2.1</td>
<td>1.1</td>
<td>+1.0</td>
</tr>
<tr>
<td>Net debt</td>
<td>3.9</td>
<td>0.3</td>
<td>+3.5</td>
</tr>
<tr>
<td>Shares on issue at balance date (millions)</td>
<td>229.1</td>
<td>229.1</td>
<td>-</td>
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- Depreciation higher with India now included
- Operating cash flow & net debt are impacted by growth in inventory and higher capital expenditure predominantly to:
  - Support higher demand from Telecommunications market
  - Enable the launch of key new Telecommunications products
  - Purchase components to mitigate supply risks due to industry shortages
  - Implement core infrastructure in Rakon India

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HY2019 Key Achievements
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**Growth in core business**
- Space & Defence up 11% on a US$ basis
- Telecommunications up 10%

**Leadership & Governance**
- Strong and refreshed board with new Director & Chair in place
- New executive positions provide enhanced capability (Global Head of Engineering, Company Secretary)
HY2019 Key Achievements

Rakon India

- Controlled by Rakon since May
- Strong first half net profit compared to HY2018’s net loss
- Significant demand
  - Volumes up over 40% year on year
  - Increased headcount, investment in equipment, inventory & expanded premises
- Integration on track
  - Core functions now in place and senior team including MD appointed
  - SAP implementation underway with planned ‘Go Live’ April 2019
Market Update
Market Update – HY2019

.� Telecommunications
  • 4G and 4.5G mobile base station demand has been growing, but component supply is tight and delivery doesn’t reflect actual demand
  • Data centre demand contributed to an overall upside in HY2019

.� Global Positioning
  • Growth continued in the higher margin industrial markets
  • PND market contracted further

.� Space
  • Billings slightly down on previous period
    - Geostationary market trending down

.� Defence
  • The US market delivering the growth in HY2019
  • HY2019 growth is mainly from products made in NZ

.� IoT
  • Many new applications and volumes in HY2019 have almost doubled vs. HY2018
Market Update – Outlook

Telecommunications
- The forecast demand for the remainder of FY2019 is up and strong for 4G and 4.5G base stations and network equipment
- Supply into the early 5G deployments in the US and Asia are ramping from Q3
- Pressure remains from tight component supply and capacity

Global Positioning
- Although quantity is forecast to be down, this is from the high volume low margin business, while industrial applications continue to grow

Space
- Second half billings forecast to improve similar to previous years’ phasing
- Increasing enquiries for Low Earth Orbit (New Space) satellite requirements

Defence
- Delivery of open orders from France will deliver the growth in the second half
- US demand expected to drive further growth

IoT
- New applications driving a lot of activity; higher volumes from Sigfox modules are happening in HY2019 (production out of Siward)
  - Applications include pet tracking, leak detection, smoke alarms, shopping trolleys
Closing Comments and Outlook
Closing Comments and Outlook

**HY2019**
- Good performance in core business
- Rakon India acquisition completed and integration is on track
- Strong profit performance by Rakon India in HY2019
- 4.5/5G demand is growing

**Closing Comments**
- 5G is deploying earlier than expected
  - Enabled with further 4G deployment
- Key focus is on capacity and delivery
- Production ramping up for multiple new products used in new generation networks