

HY2019 Financial Results & Business Update



Enabling the
Connected Future



Agenda HY2019



Agenda Item	Presenter
HY2019 Financial Key Points	Anand Rambhai (CFO)
HY2019 Key Achievements	Brent Robinson (CEO, Managing Director)
Market Update	Brent Robinson
Q&A Session	
Closing Comments and Outlook	Brent Robinson



Anand
Rambhai



Brent
Robinson

HY2019 Financial Key Points

HY2019 Key Points



◀ 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

Revenue

Up \$5.0m

Net profit

Up \$8.3m

Underlying
EBITDA¹

Up \$2.1m



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

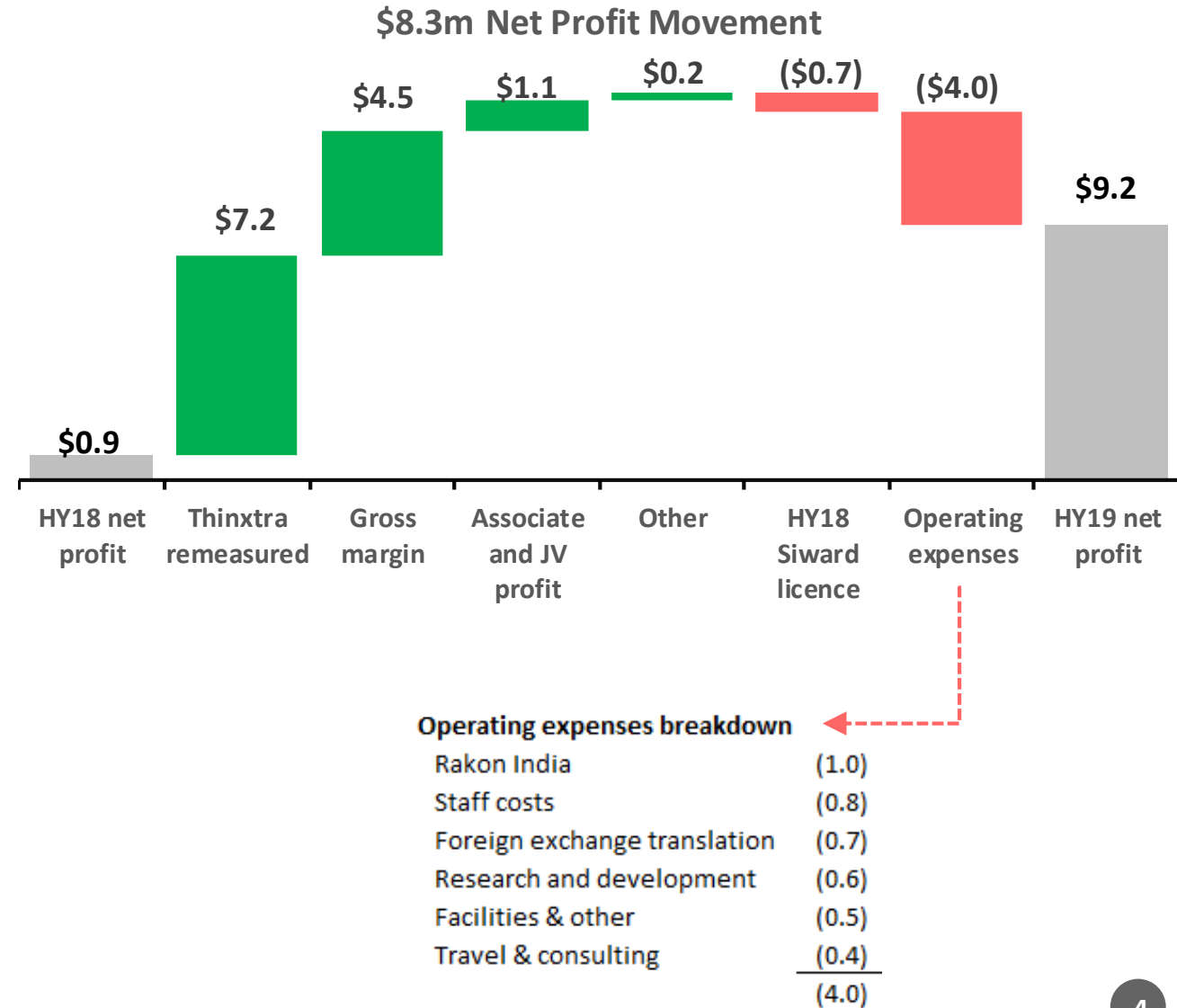
¹ Refer to Note B1 of the HY2019 Unaudited Consolidated Interim Financial Statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to NPAT

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



HY2019 Key Points



NZ\$ Millions	HY2019	HY2018	Variance
Revenue	53.3	48.3	+5.0
Gross profit	24.6	20.1	+4.5
Operating expenses	23.5	19.5	+4.0
Underlying EBITDA ¹	5.9	3.8	+2.1
Depreciation & amortisation	2.8	2.3	+0.5
Net profit/(loss) after tax	9.2	0.9	+8.3
Earnings (cents per share)	4.1	0.4	+3.7
Operating cash flow	(3.4)	4.9	-8.4
Capital expenditure	2.1	1.1	+1.0
Net debt	3.9	0.3	+3.5
Shares on issue at balance date (millions)	229.1	229.1	-

Notes

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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

HY2019 Key Achievements

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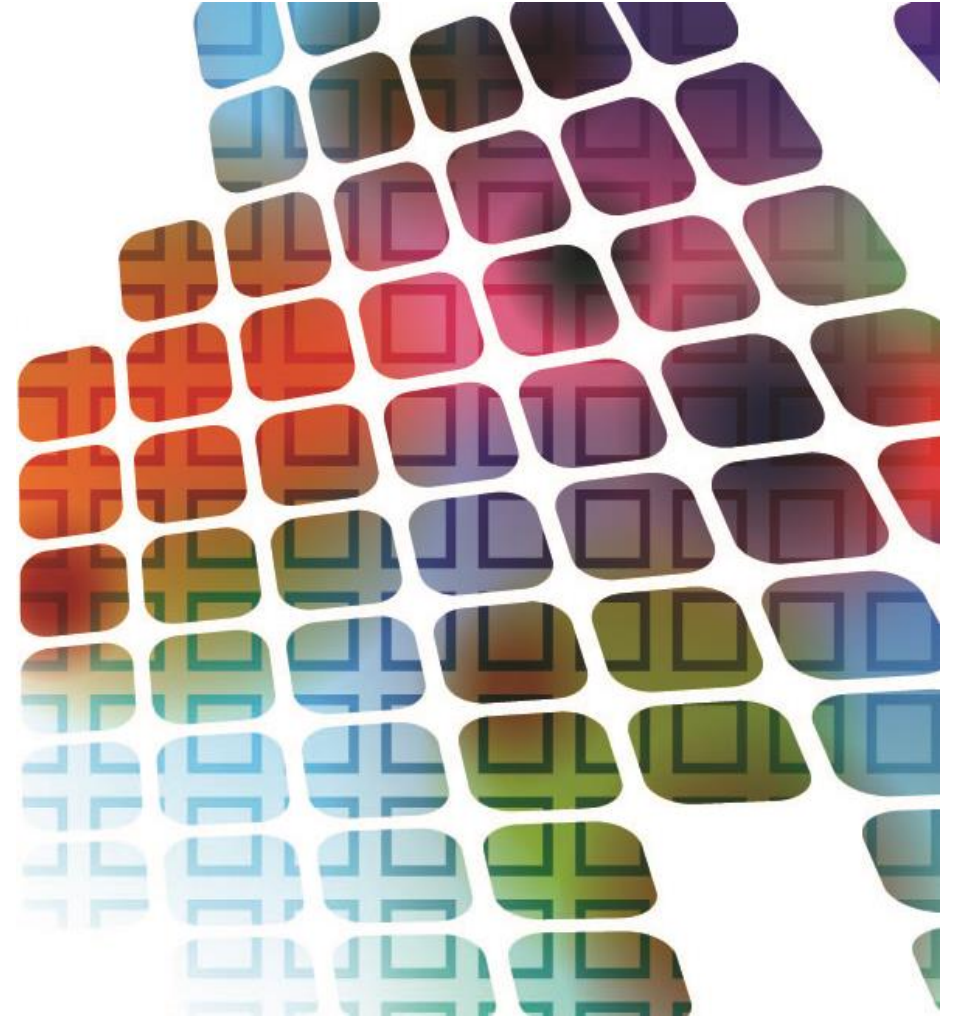


◀ Growth in core business

- 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

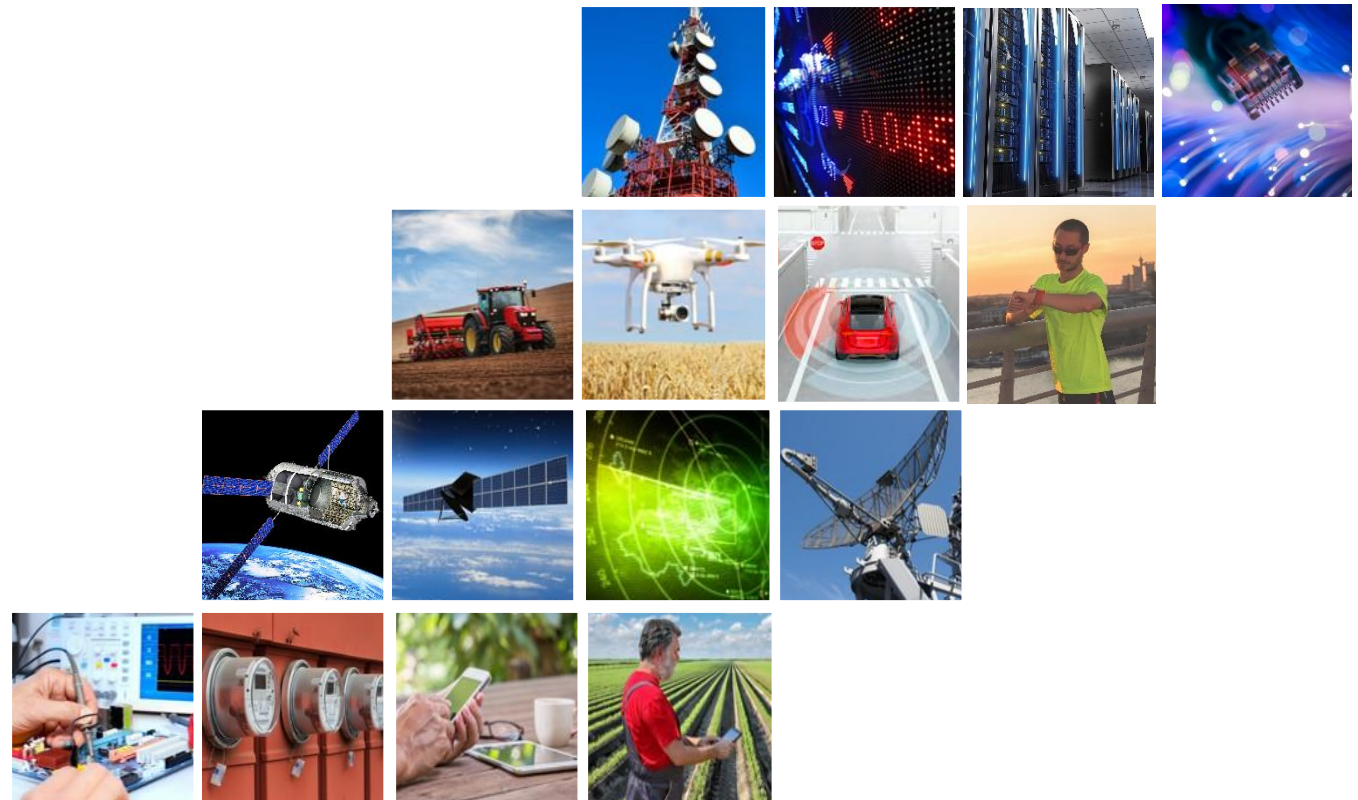


< Rakon India

- ❑ 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



Q&A

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

