Financial Results & Business Update
HY2020 (6 months to September 2019)

19 November 2019

Agenda

Agenda Item	Presenter
HY2020 Financial Key Points	Anand Rambhai (CFO)
HY2020 Key Achievements	Brent Robinson (CEO, Managing Director)
Market Update	Brent Robinson
Q&A Session	
Closing Comments and Outlook	Brent Robinson

Anand Rambhai

Brent Robinson

HY2020 Financial Key Points

HY2020 Key Points

rakon

- **Revenue of $56.9m vs. $53.3m in HY2019**
  - Telecommunications continues to grow, up $7.9m
  - Global Positioning and Space & Defence both lower, down $1.7m and $1.1m respectively
- **Net profit after tax of $1.3m vs. $2.0m in HY2019**
- **Underlying EBITDA[1] of $6.9m vs. $5.9m in HY2019**
  - Includes one-off impact of $1.5m from new lease accounting standard (NZ IFRS 16)
  - Excluding this one-off impact, like-for-like Underlying EBITDA is $0.5m lower at $5.4m

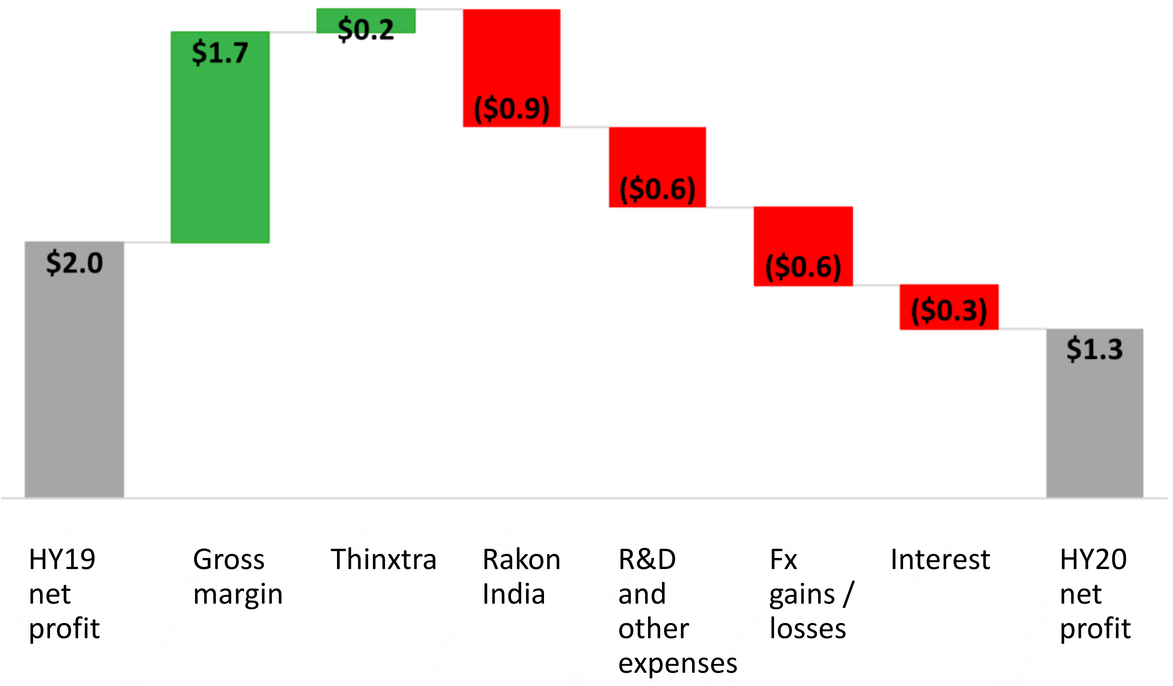
Revenue	Up $3.6m
Net profit	Down $0.7m
Underlying EBITDA[1]	Up $1.0m

Notes:
All figures are presented in New Zealand dollars unless otherwise indicated
[1] *Refer to note B1 of the HY2020 unaudited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to net profit after tax*

HY2020 Key Points

- **Contributing factors to the movement in net profit**
  - Flow through of higher revenue at gross margin percentage of 46.1%
  - Share of Thinxtra's losses no longer included
  - Higher costs from:
    - Rakon India integration costs (legal, consulting and higher headcount)
    - R&D and other expenses (time on product development, higher costs to build prototypes, higher headcount and wage inflation)
    - FX gain in prior year wasn't repeated; impact of higher borrowings in foreign currency
    - Interest on higher average borrowings

Half-year on half-year $0.7m movement in net profit explained



HY2020 Key Points

NZD Millions	HY2020	HY2019	$ change +better | -worse
Revenue	56.9	53.3	+3.6
Gross profit	26.3	24.6	+1.7
Operating expenses	25.1	23.5	-1.6
Underlying EBITDA[1]	6.9	5.9	+1.1
Depreciation & amortisation	4.3	2.8	-1.5
Net profit/(loss) after tax	1.3	2.0	-0.7
Earnings (cents per share)	0.6	0.9	-0.3
Operating cash flow	3.4	(3.4)	+6.9
Capital expenditure	3.0	2.1	-1.0
Net debt	7.6	3.9	-3.8
Shares on issue at balance date (millions)	229.1	229.1	-

- Depreciation higher with NZ IFRS 16 *Leases*
- Operating cash flow includes $1.5m impact from adoption of IFRS 16 *Leases* and lower growth in inventory vs. prior half year
- Capex in line with expectation, variance due to phasing of spend, prior half year had significant spend in H2
- Net debt higher from inventory and capex growth

Notes

[1] *Refer to Note B1 of the HY2020 unaudited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to net profit after tax*

HY2020 Key Achievements

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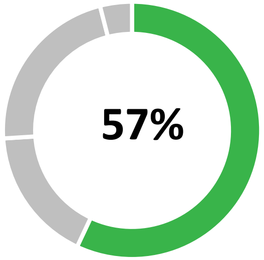
- Telecommunications segment growth
  - 5G demand starting to generate revenue
  - New products delivered out of NZ
  - Half-year on half-year volume growth in India

- Rakon India now fully integrated into the wider group and operating independently with its own management structure

- Quartz MEMS development completed; registered XMEMS™ and now ready for deployment in high performance TCXO and OCXO products

Market Update

Telecommunications

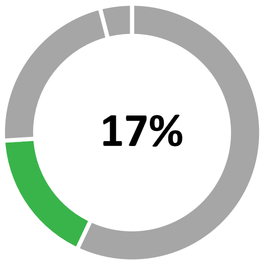


of Revenue

+11% on HY19

- **Update**
  - USD revenue is up 25% on the same period last year
  - Deliveries of new products from Rakon NZ into 5G Remote Radio Heads has gathered momentum in Asia, resulting in revenue growth when compared to HY2019
  - Revenue from products for network equipment grew 50% compared to HY2019
  - 4G & 4.5G mobile base station business has slowed, impacting Rakon India which is down HY2020 vs. HY2019
- **Outlook**
  - Expecting 4G & 4.5G mobile base station demand to be down in the second half, but expecting 5G base stations to start deploying in Q4 of FY2020
  - Markets in Asia still leading 5G deployment. Other regions are expected to ramp in the first or second half of next calendar year
  - Rakon has increased market share with all Tier One customers and is well positioned for next calendar year
  - Core network infrastructure to support 5G synchronisation standards will continue to grow, with increased demand for products from both Rakon India and Rakon NZ

Global Positioning



of Revenue
-4% on HY19



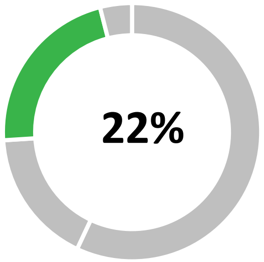

Update

- Overall Global Positioning revenue was down 15%
  - Less demanding specification requirements has resulted in Rakon shedding some of its high volume GNSS business
  - Industrial high precision GNSS has also been down with demand from the heavy equipment industry in decline in the US, in line with global uncertainty
- Emergency beacon market revenue was up 40% vs. HY2019, with a new frequency requirement now being introduced and deployed

Outlook

- Competitive pressure from low-cost GNSS module makers in Asia, will increase price pressure in the high volume market
  - With Rakon’s focus on preserving margin, top line revenue may decline further
- The emerging autonomous car market is bringing new applications and opportunities for Rakon’s technology and products

Space & Defence



of Revenue

-4% on HY19

Update

- Combined revenue for Space and Defence was similar to HY2019
- Space revenue was up, with a significant delivery into China for the first phase of products for Low Earth Orbit (LEO) satellites, indicating the potential of this ‘New Space’ market
  - Space revenue (USD) grew 19% for products out of Rakon France
- Defence revenue (USD) was down 10% for products out of Rakon France and Rakon NZ
  - Mainly due to less demand from the US

Outlook

- Demand for traditional geostationary satellites is expected to weaken as market segments transition toward LEO satellites
- FY2020 Q4 deliveries from Rakon France are expected to be high, in line with yearly trends and are needed to meet the full year result forecast
- Defence spending in the US is predicted to be stronger in the second half of FY2020
- Rakon India is positioned well to continue growth, with localised supply into the Space and Defence market in India, but it will take time to materialise

Q&A

Closing Comments and Outlook

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HY2020

- Overall revenue and margin growth
  - Underpinned by strong volumes in Telecommunications
- Rakon India now independently operating from former JV partner
  - A number of one-off costs in first six month period

Closing Comments

- Final payment to former JV partner for Indian operations
- Delays in 5G roll-out disappointing but dominant share allocations from key Tier One customers for next calendar year
- Key focus is on production efficiencies and expanding capacity for new 5G products

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