# Agenda FY2020

<table>
<thead>
<tr>
<th>Agenda Items</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020 Financial Results</td>
<td>Anand Rambhai (CFO)</td>
</tr>
<tr>
<td>FY2020 Key Achievements</td>
<td>Brent Robinson (CEO, Managing Director)</td>
</tr>
<tr>
<td>Market Update</td>
<td>Brent Robinson</td>
</tr>
<tr>
<td>Q&amp;A Session</td>
<td></td>
</tr>
<tr>
<td>Closing Comments and Outlook</td>
<td>Brent Robinson</td>
</tr>
</tbody>
</table>
FY2020 Financial Results
Financial Results – Highlights

Revenue of $119m vs. $114m in FY2019
- Growth in Telecommunications
- Decline in Space & Defence and Global Positioning

Net profit & Underlying EBITDA
- Net profit after tax of $4.0m vs. $3.4m in FY2019
- Underlying EBITDA\(^1\)
  - As reported: $14.8m vs. $13.3m in FY2019
  - FY2020 includes $3.1m related to IFRS 16 Leases

Operating Cash Flow $9.4m

Notes:
All figures are presented in New Zealand dollars unless otherwise indicated
\(^1\) Refer to note 4 of the FY2020 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
Contributing factors to the movement in net profit after tax

- Gross margin higher from improved mix towards Telecommunications business, offset by additional inventory obsolescence provision
- Higher revaluation loss – borrowings in USD & JPY and historic hedging contracts
- Operating expenses higher – inflation and increase in headcount
- Interest – higher average net debt balance during the year
- Current year tax expense is a $0.7m credit

Year-on-year +$0.6m movement in net profit
## FY2020 Financial Results

<table>
<thead>
<tr>
<th>NZD Millions</th>
<th>FY2020</th>
<th>FY2019</th>
<th>variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>119.0</td>
<td>114.0</td>
<td>+5.0</td>
</tr>
<tr>
<td>Gross profit</td>
<td>52.0</td>
<td>51.7</td>
<td>+0.4</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>48.1</td>
<td>47.3</td>
<td>+0.7</td>
</tr>
<tr>
<td>Underlying EBITDA¹</td>
<td>14.8</td>
<td>13.3</td>
<td>+1.5</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>8.8</td>
<td>5.8</td>
<td>+3.0</td>
</tr>
<tr>
<td>Net profit/(loss) after tax</td>
<td>4.0</td>
<td>3.4</td>
<td>+0.6</td>
</tr>
<tr>
<td>Earnings (cents per share)</td>
<td>1.8</td>
<td>1.5</td>
<td>+0.3</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>9.4</td>
<td>(1.8)</td>
<td>+11.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>4.6</td>
<td>7.1</td>
<td>-2.4</td>
</tr>
<tr>
<td>Net debt</td>
<td>7.9</td>
<td>7.7</td>
<td>+0.2</td>
</tr>
<tr>
<td>Shares on issue at balance date (millions)</td>
<td>229.1</td>
<td>229.1</td>
<td>-</td>
</tr>
</tbody>
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- Depreciation and amortisation higher from IFRS 16 *Leases*
- Operating cash flow higher than prior year
  - $3.1m from IFRS 16 *Leases*
  - Prior year included significant investment in inventory subsequent to the acquisition of Rakon India
- Capex lower in FY2020 than prior year due to prior year capacity expansion in India

### Notes

¹ Refer to note 4 of the FY2020 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.
COVID-19 & FY2020 Key Achievements

- Minimal impact of COVID-19 on Rakon
  - April impacted in excess of 30%
  - All 3 operations now back to normal production levels

- New Product Introductions (NPIs and ramping up for 5G Mercury+™, Neptune™, Mercury™)
  - Growing uptake of new 5G products

- Customers demonstrating strong preference for Rakon's quartz-based products over silicon-based competition

- Share awards up with major Tier One Telecommunication customers
FY2020 Key Achievements

- XMEMS™ released: key quartz-based technology for future products
- New products being developed for emerging 5G mmWave requirements
- Strong finish to the year with revenue and order bookings
- Rakon India fully embedded into the global manufacturing strategy
The XMEMSTM Difference

Rakon’s advanced resonator technology made with its NanoQuartz™ photolithography microfabrication process on quartz wafers, delivering unprecedented resonator and oscillator performance

- Delivering best-in-class stabilities, phase noise, smallest platforms in the industry
- Creating new products not possible with conventional mechanical processing methods

This technology coupled with Rakon’s innovative proprietary semiconductor ASICs and IP, enabling true 5G mmWave communication at maximum bandwidth
Market Update
Telecommunications

Update

- Continuing strong growth with revenue up 15% this year vs. FY2019
  - 43% of this growth came from the 5G segment
    - New products developed for 5G applications showed 150% growth in revenue vs. FY2019 and most of the growth was from Rakon NZ
  - Rakon NZ delivered 25% growth in this market, including data centres
  - Particularly strong growth of 25% from equipment suppliers in Asia
  - Increased share with major Tier One customers

Outlook

- In China all three mobile operators are deploying 5G networks
- COVID-19 home isolation increasing demand for communications globally and operators ordering more 4G & 4.5G equipment to expand capacity
- Intensifying geopolitical uncertainty creating volatility in customer forecasts
Global Positioning

Update

- Global Positioning revenue declined 25% with competition taking a share of high volume, low margin business at one major customer
- Overall the industrial high precision Global Navigation Satellite System (GNSS) segment was flat
  - Gains made in H1 were offset in H2 which was down as US/China trade issues affected the agricultural and mining equipment sector
- Revenue from the emergency locator beacon market grew 7%

Outlook

- Market share is increasing in high precision markets for low $g$-sensitivity products and this trend is expected to continue
- Competitive pressure from Global Positioning module makers in Asia is expected to increase price pressure in this high volume market
  - Siward partnership enables more competitive pricing for the future
**Space & Defence**

**Update**
- Overall Rakon’s Space revenue dropped 13%
  - Phasing of long term contracts
  - FY2019 included first Low Earth Orbit (LEO) satellite network in China
- The European Space business was up with some of the traditional geostationary satellite business returning
- Defence lost some of the gains over the last two years with revenue down 15%. While the US market held firm, the negative impact came out of Europe

**Outlook**
- Calendar Year To Date bookings indicate revenue growth in both Space and Defence
- Rakon India has won contracts in Space and Defence that will deliver good growth in FY2021
- Good forward orders of Space OCXO for a US satellite application; this new customer will deliver growth for the US region in FY2021
- Progress is being made in the New Space LEO market, but will take time to grow revenue
Q&A
Closing Comments and Outlook
Closing Comments and Outlook

**FY2020**

- Strong growth in Telecommunications with increased total market share
- New products from New Zealand, delivering growth and higher margin
- Released XMEMS™ technology enabling industry-leading products for the future

**Closing Comments**

- Previous design-wins in 5G telecommunications equipment now translating into orders and ramping up, with product deployment into China well underway
- Space and Defence orders improving
- COVID-19 impact minimised as Rakon is a critical supplier to many of its customers providing essential services in New Zealand and abroad
- Geopolitical tensions focused on telecommunications creates outlook uncertainty