

The background of the slide features a composite image. On the left, there is a silhouette of a person's head in profile, facing right, with a network of glowing blue lines and dots overlaid on it, suggesting a digital or neural network. In the background, a city skyline at night is visible, with various skyscrapers and lights. A tall communication tower with multiple antennas is prominent in the center-left. The overall color palette is dark blue and purple, with green accents from the network lines and the Rakon logo.

# FY2021 financial results & business update

12 months to 31 March 2021

**Enabling the connected future**

27 May 2021 • © Rakon Limited

# Agenda



Highlights and achievements

**Brent Robinson (CEO, Managing Director)**

Operating performance and market update

**Brent Robinson**

Financial overview

**Anand Rambhai (CFO)**

Summary and outlook

**Brent Robinson**

Closing comments

**Brent Robinson**

Q&A



**Brent Robinson**



**Anand Rambhai**





# FY2021 – Key highlights and achievements

# Financial results – highlights

## ◀ Revenue

- 8% higher to \$128m (2020: \$119m)

## ◀ Underlying EBITDA<sup>1</sup>

- 59% higher to \$23.5m (2020: \$14.8m)

## ◀ Net profit after tax

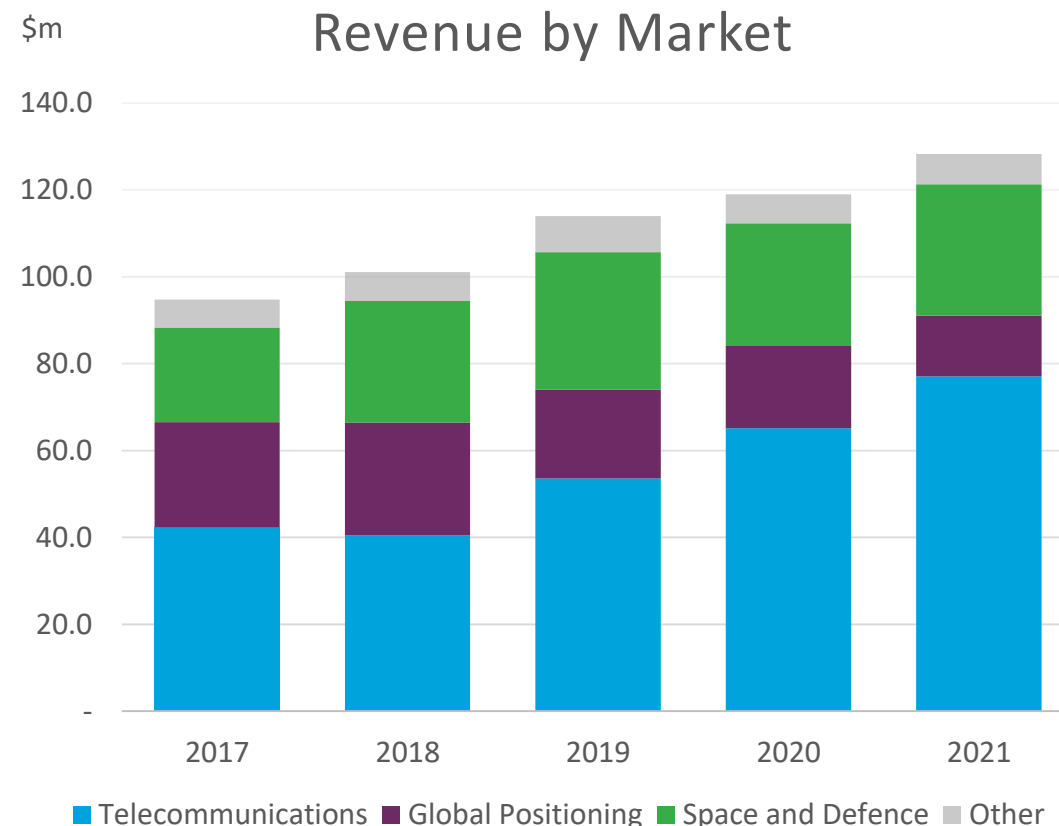
- 142% higher to \$9.6m (2020: \$4.0m)

## ◀ Operating cash flow

- 113% higher to \$20.1m (2020: \$9.4m)

## ◀ Net cash/net debt<sup>2</sup>

- Improved by \$12.9m



Notes:

**All figures are presented in New Zealand dollars unless otherwise indicated**

<sup>1</sup> Refer to note 5 of the FY2021 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

<sup>2</sup> excluding NZ IFRS 16



# FY2021 achievements reflect our strengths



- ◀ Covid-19 has highlighted our agility and responsiveness
- ◀ Increased demand for our industry-leading products and platforms
- ◀ Improved market share and strengthened partnerships, with key contract wins
- ◀ Rapid deployment of new product designs to capture market opportunities
- ◀ Ongoing adaption and upscaling of worldwide operations through disruptions
- ◀ Well-managed supply chain to ensure delivery





# Operating performance and market update



# Covid-19

*Safety of our people prioritised while continually adapting our operations*

## ◀ Employee safety paramount

- ❑ Stringent protection measures in place across all sites

## ◀ Rapid organisational response

- ❑ Emergency response plans deployed for all levels of the pandemic
- ❑ Operations adapted to the lockdown conditions of each country – enabling delivery of essential products and services while protecting staff

## ◀ Covid government assistance

- ❑ Ensured continued employment of staff until production levels resumed
- ❑ Mitigated impacts of lost orders and reduced production over first quarter
- ❑ Received in NZ, UK, France



# Covid-19 (cont.)

*Safety of our people prioritised while continually adapting our operations*

## < India update

- ❑ Recent outbreak has impacted Rakon India operations
- ❑ Strict measures in place to minimise transmission risk and enhance safety:
  - Limiting staff numbers on site, physical distancing, daily temperature testing and deep clean of premises, registered nurse on site & bi-weekly doctor visits, higher risk staff vaccinated
- ❑ The majority of Rakon India's 500-strong workforce have remained Covid free to date:
  - However 18 staff infected and in good health
  - Sadly one death of a long-serving staff member
- ❑ Cautious optimism as total cases in India have been declining





# Operating highlights

*Strong result reflects the capability and strong 'can do' culture of our team*

## ◀ Our People

- Commitment and resilience of our global team enabled operations to get back up and running quickly
- Effectively operating through restrictions

## ◀ New products and technologies

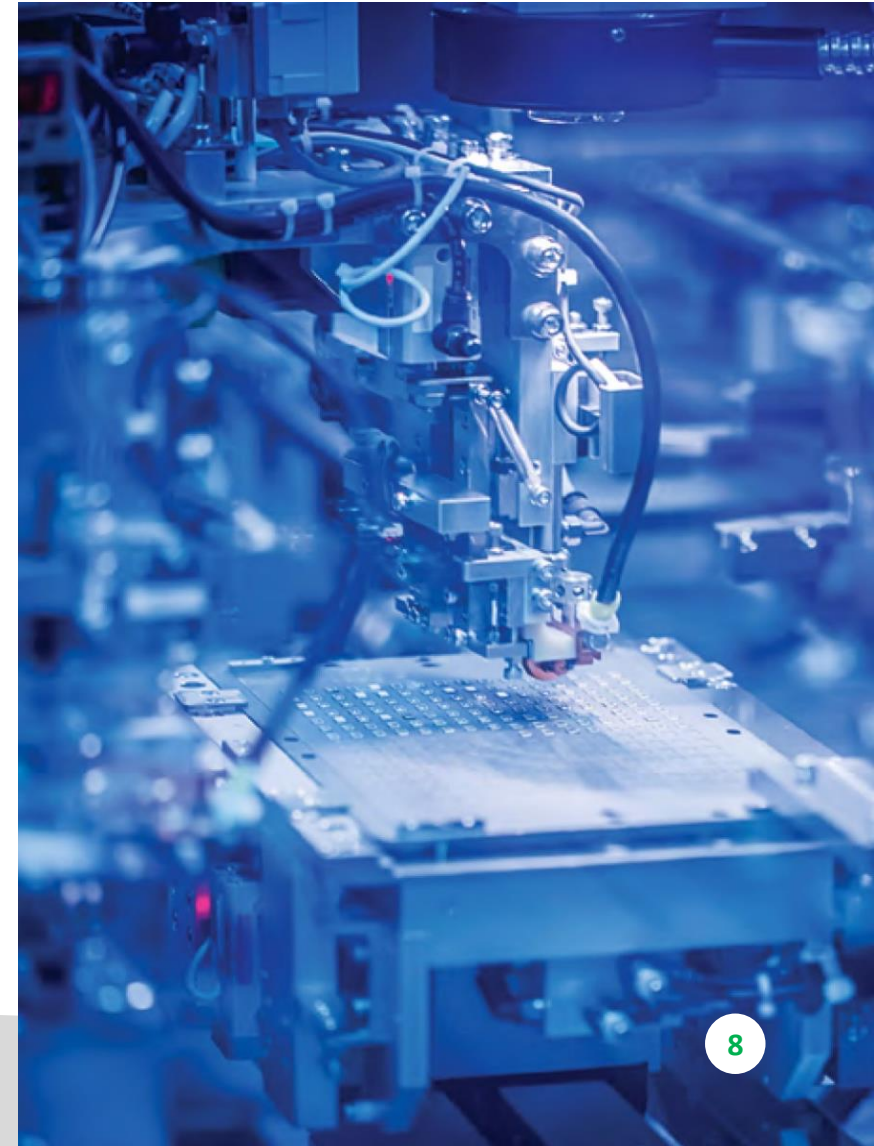
- Rapid deployment of new product designs to capture opportunities stemming from worldwide chip shortages
- XMEMS® wins – designed into strategic customers' applications
- XMEMS® registered as a trademark in key regions

## ◀ Manufacturing

- Increased capability to scale quickly
- New equipment built and software enhanced to deliver new products

## ◀ Supply chain

- Disruptions in supply chain managed through strong networks and relationships allowing the fulfilment of growing demand



# Telecommunications

## Increased 5G demand driving revenue growth

### < Overview

- ❑ Revenue \$77 million, up 18% on FY2020
- ❑ Increased 5G demand as operators deploy new networks and enhance existing infrastructure

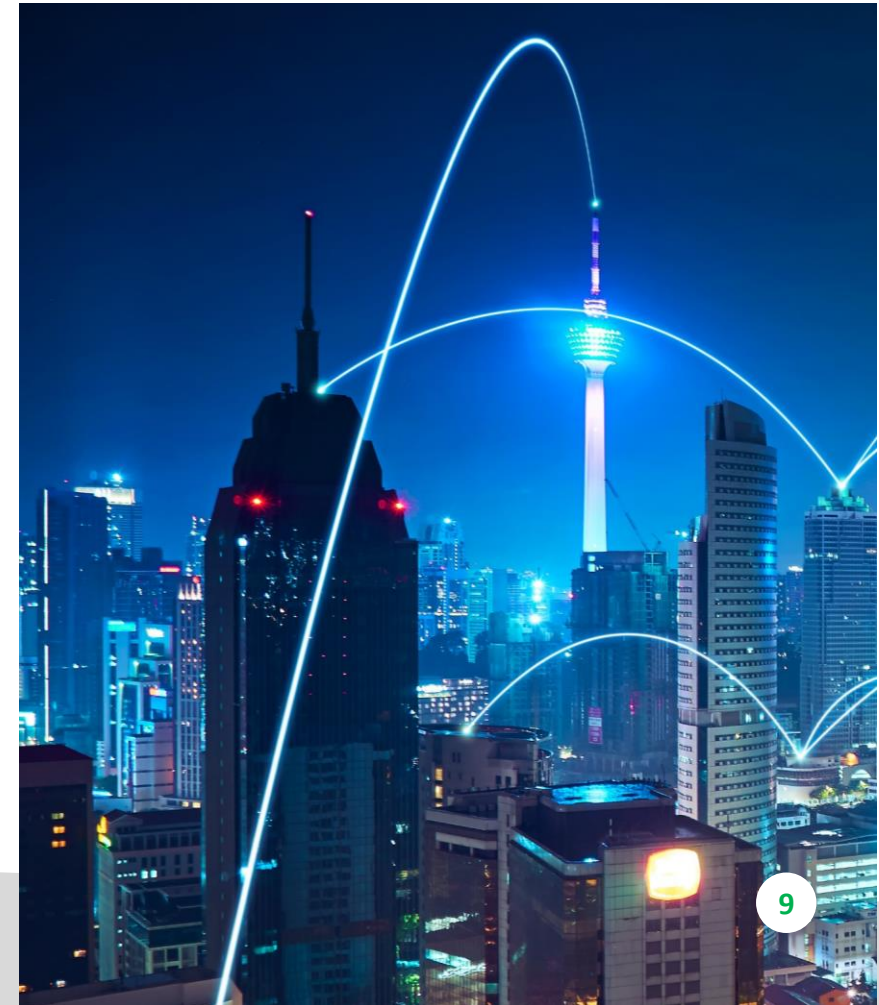
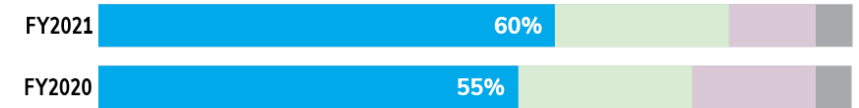
### < Achievements

- ❑ Substantial contribution from new 5G products (Mercury+™)
- ❑ Strong datacentre growth – driven by precise timing requirements for many applications, including distributed processing, security and financial transactions
- ❑ Major new cloud computing customer secured
- ❑ Design-in wins for new products delivering 5G millimetre wave<sup>1</sup> capability, enabling wireless 5G high-speed broadband
- ❑ Increased design wins for proprietary chip (Pluto®) products amidst global chip shortages

### < Outlook

- ❑ 5G deployments expected to accelerate
- ❑ Design-in opportunities progressing – Edge computing, datacentres, open radio access networks (O-RAN)<sup>2</sup>
- ❑ 5G millimetre wave technology starting to deploy

Percentage of revenue



<sup>1</sup> Next generation frequencies that enable new applications

<sup>2</sup> Mobile networks that are more intelligent, open, virtualised and fully interoperable



# Space & Defence

## *Momentum building in NewSpace<sup>1</sup>*

### < Overview

- ❑ Revenue \$30m, up 7% on FY2020
- ❑ Driven primarily by French and Indian space business
- ❑ Defence segment growth from previous year consolidated

### < Achievements

- ❑ Rakon designed/manufactured products on board NASA's Mars Perseverance Rover
- ❑ Initial deliveries into a major NewSpace LEO<sup>2</sup> satellite constellation
- ❑ Growth in local Indian space business including: India's 3<sup>rd</sup> moon mission; India's first solar mission

### < Outlook

- ❑ Strong order book for Space expected to deliver continued growth
- ❑ Further NewSpace LEO orders expected
- ❑ Defence business remains robust
  - Design-in opportunities leveraging Rakon's XMEMS® technology

Percentage of revenue



<sup>1</sup> Refers to a globally emerging private spaceflight industry. Includes aerospace companies and ventures working to develop faster, better and cheaper access to space and space technologies

<sup>2</sup> Low Earth Orbit

# Positioning

## Mixed segment performance but strong FY2022 outlook

### < Overview

- Revenue \$14 million, down \$4.9m on FY2020
- Anticipated revenue decline in low-margin business but improved Gross Margin %
- Growth in higher-margin precision industrial applications (agriculture/mining)
- Covid-19 negatively impacted aeronautical and emergency beacon markets

### < Achievements

- Significant orders captured as result of global TCXO shortages – multi-year contracts delivering from FY2022
- Growing share of agriculture/mining segments as automation becomes standard

### < Outlook

- Global TCXO shortage will boost FY2022 revenue
  - Longer term supply expected to stabilise
  - Significant business expected to be maintained as customers diversify their supplier base
- Growing automation in industrial applications, such as factories (Industry 4.0), agriculture, mining
- Consolidating position in the emerging autonomous vehicle market
- Aeronautical and beacon segments expected to recover as local/global travel returns

Percentage of revenue





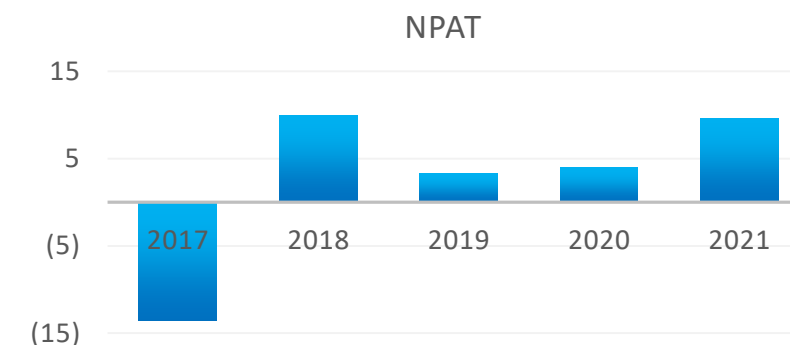
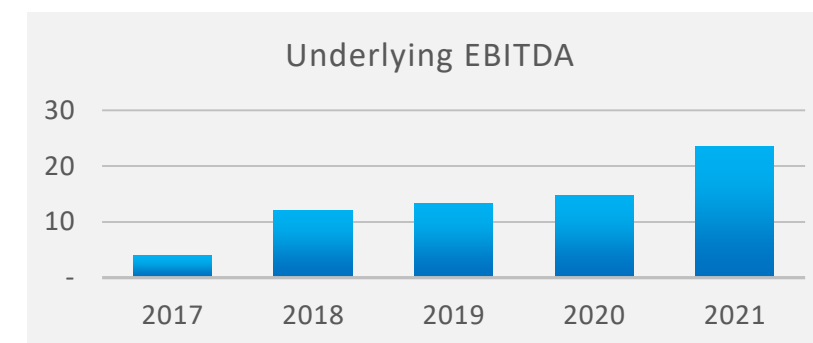
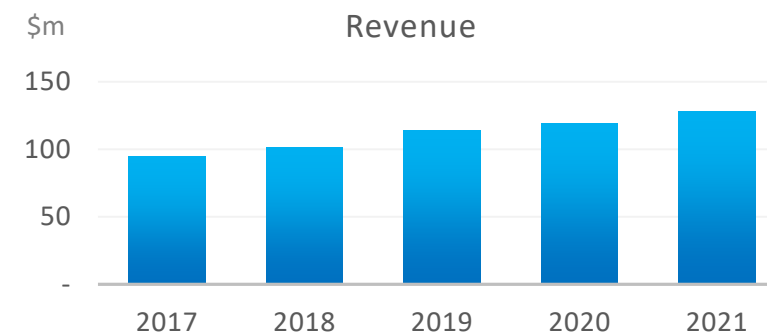
# Financial overview

# Financial performance



## Strong earnings and cash flow

Performance for the 12 months to March	FY2021	FY2020	variance	% change
Revenue	128.3	119.0	+9.3	+8%
Gross profit	58.9	52.0	+6.9	+13%
Gross margin %	45.9%	43.7%	+2.2 pts	
Operating expenses	49.0	48.1	+0.9	+2%
Other operating income	2.6	0.0	+2.6	n/a
Net profit after tax	9.6	4.0	+5.7	+142%
Underlying EBITDA <sup>1</sup>	23.5	14.8	+8.7	+59%
Earnings (cents per share)	4.2	1.8	+2.4	+133%
Net cash / (net debt) <sup>2</sup> as at 31 March	5.0	(7.9)	+12.9	+164%
Capital expenditure for the 12 months	5.1	4.6	+0.5	+10%



### Notes

<sup>1</sup> Refer to Note 5 of the FY2021 audited 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

<sup>2</sup> excluding NZ IFRS 16

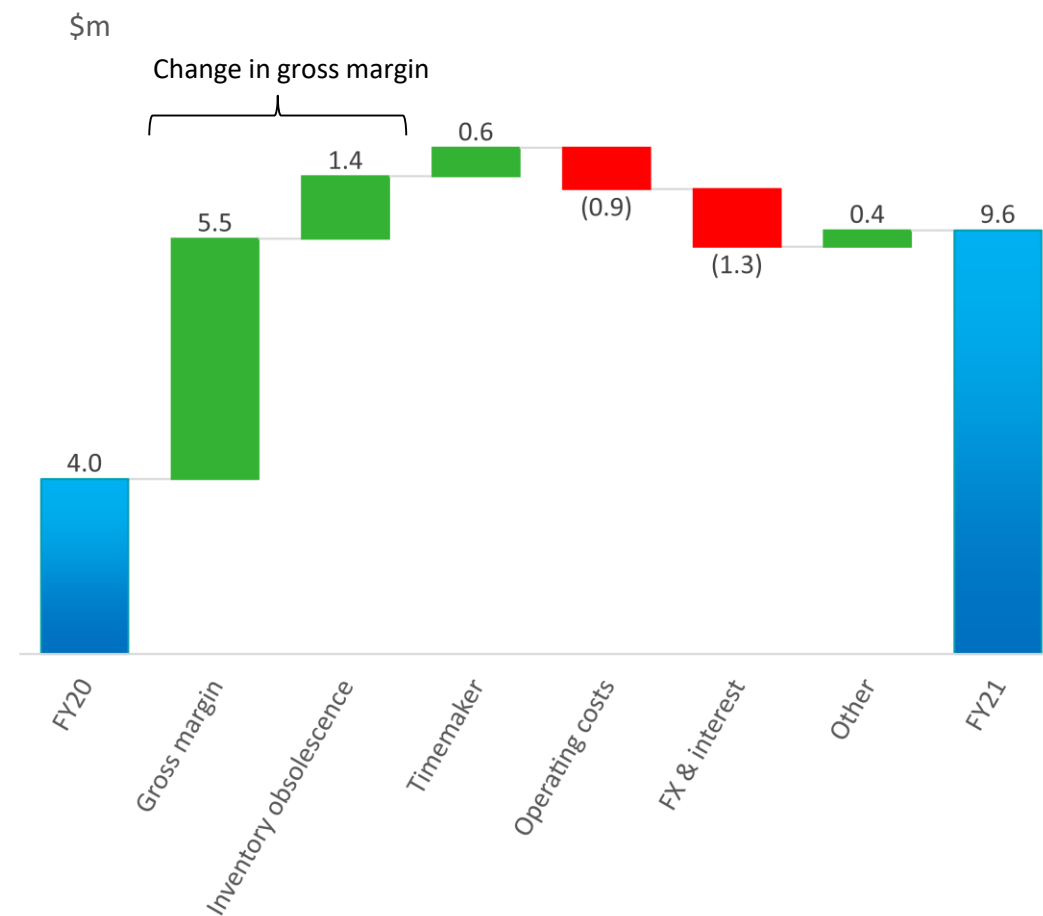


# Summary movement in net profit after tax

## Year-on-year revenue & margin growth drives earnings

- ◀ Flow through of higher revenue drives margin growth
- ◀ Lower inventory obsolescence provided for improves year-on-year margin
- ◀ Timemaker benefits from global consumer electronics demand
- ◀ Operating costs include one-off redundancy costs & higher R&D spend (including XMEMS® and chip development)
- ◀ 16% higher year on year NZD/USD closing rate drives FX loss

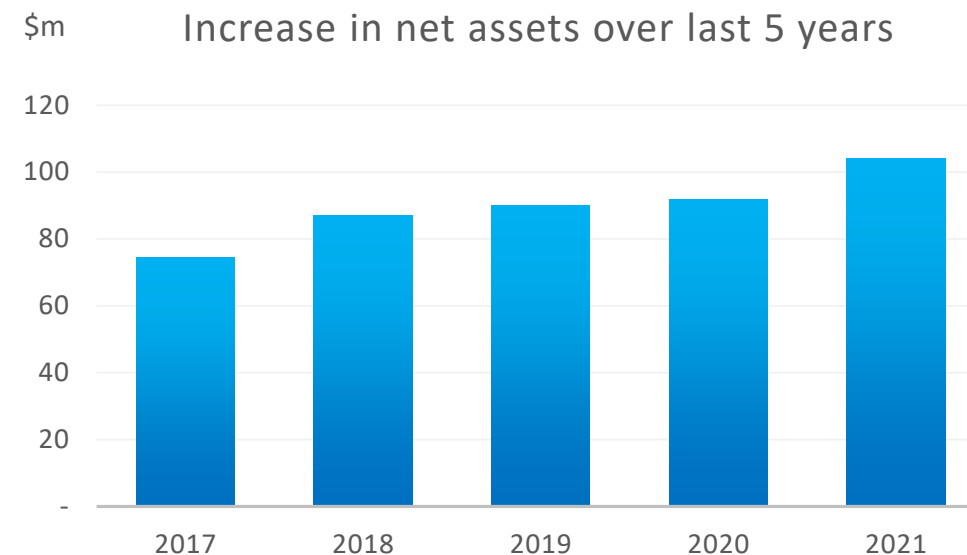
## Year-on-year increase in net profit explained



# Financial position

*Strengthened balance sheet provides some buffer, and capacity to support revenue growth*

Financial position as at 31 March	FY2021	FY2020	change
Total assets	154.4	150.2	+4.1
Total liabilities	50.4	58.4	-7.9
Net assets/equity	103.9	91.9	+12.1
Equity to total assets	67%	61%	+6.2%
Net cash / (net debt) <sup>1</sup>	5.0	(7.9)	+12.9
Derivatives	3.2	(7.9)	+11.0
Inventory	37.7	37.6	+0.1



Notes

<sup>1</sup> excluding NZ IFRS 16



## Summary and outlook

# Summary

## ◀ **A strong FY2021 result**

- ❑ Built on the progress made in recent years
- ❑ Playing to our strengths
- ❑ A world-wide Rakon team effort

## ◀ **Covid has highlighted our agility**

- ❑ Extremely testing first quarter and continued challenges
- ❑ But new opportunities have emerged and technological change has accelerated

## ◀ **Solid foundations**

- ❑ Global platform of R&D, manufacturing and sales
- ❑ Agility to scale up/down to meet market demand and profitably capture opportunities
- ❑ Prudent risk management and conservative financial management

## ◀ **Well positioned to capture growth opportunities**





# Looking ahead

## ◀ Solid revenue growth expected

- ◻ Continued expansion in 5G, data centres and NewSpace
- ◻ Global TCXO shortage will boost FY2022 revenue
- ◻ Strong forward order flow

## ◀ Operational and R&D focus

- ◻ Cutting-edge pipeline of new chips and product platforms; Millimetre wave and O-RAN
- ◻ Increased manufacturing capability (in-house/contract partners) including further investment in XMEMS®

## ◀ Risk management

- ◻ Actively diversifying internal and external supply chains
- ◻ India's Covid situation improving; not expected to materially impact FY22 guidance

## ◀ Strong financial position and funding lines in place

- ◻ Funding for future growth opportunities
- ◻ A buffer for adverse events/economic shocks

## ◀ Confirm FY2022 Underlying EBITDA guidance of \$27 – \$32m



Q&A





## Appendices



# The XMEMS® 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





# Glossary

- ◀ **Cloud computing:** Allows users to have on-demand availability of a remote computer system's resources for improved computing power or data storage (usually located quite far from the user, such as in another country)
- ◀ **Datacentres:** Usually a building that is used to hold a computer system and other components to backup data
- ◀ **Design-in:** An opportunity that allows Rakon's product to be used as the reference component for certain customer reference designs (a technical blueprint of a system intended to be used by customers)
- ◀ **Edge computing:** Allows users to have on-demand availability of a remote computer system's resources for improved computing power or data storage (usually located close to the user, such as within the same city)
- ◀ **5G:** 5<sup>th</sup> generation of the telecommunications standard, providing 10 to 1000 times better performance in many different applications
  - ◻ **5G millimetre wave (mmWave) technology:** The equipment that enables higher frequency data transmission in 5G
- ◀ **New space/ New space LEOs:** Refers to the commercial space sector for mainly low earth orbit (LEO) satellites
- ◀ **Mercury™ / Mercury+™:** Rakon's proprietary integrated circuit used in OCXOs to achieve clock variations to less than 1 billionth of a second, enabling precision timing in 5G applications
- ◀ **NASA: National Aeronautics and Space Administration, U.S.A.** (Government agency)
- ◀ **OCXO: Oven Controlled Crystal Oscillator.** A crystal oscillator that uses a miniaturised oven to keep its internal temperature constant
- ◀ **O-RAN:** Mobile networks that are more intelligent, open, virtualised and fully interoperable
- ◀ **Pluto®:** Rakon's proprietary integrated circuit used in TCXOs to achieve clock variations to less than 100 millionth of a second, enabling higher data rates in 5G applications
- ◀ **TCXO: Temperature Compensated Crystal Oscillator.** A crystal oscillator with additional circuitry to remove frequency variations due to temperature change
- ◀ **Tier-1 customers:** recognised key players within their respective industries, that make up a significant market share
- ◀ **XMEMS®: Crystal Micro-Electro-Mechanical System.** Rakon's advanced quartz-based resonator technology. It is made with Rakon's NanoQuartz™ microfabrication process, delivering unprecedented resonator and oscillator performances

