



12 August 2021

Rakon (RAK) 2021 Annual Meeting Chair's Address

Chair's Welcome from Bruce Irvine

Good afternoon shareholders my fellow Rakon Board members, executive and employees and other attendees.

Before we get underway with the business of the meeting – there are a few housekeeping matters I need to cover:

- In the event of a long alarm, please exit through the lighted EXITS and follow all instructions given by the Event Centre staff.
- In the event of any other health and safety concern please raise the attention of one of the staff helping here today.
- For the Bathrooms please note these are located outside the meeting room – please follow the signs.

Please ensure your cell phones are on silent.

Welcome to the 16th Annual Meeting of Shareholders of Rakon Limited. It is pleasing to see so many of you here today. My name is Bruce Irvine and I am Chair of the Board and will chair today's meeting.

I confirm we have a quorum for today's meeting and declare the meeting open.

The order of business for today's meeting is set out in the Notice of Annual Meeting which was sent to shareholders on 15 July 2021 and is summarised on the slide you can see behind me. You should also have received or had access to the Company's 2021 Annual Report and 2021 Review as released on 30 June 2021. If you have not been able to view either of these documents you can find them on our website or request a printed copy at any time.

We have three resolutions to address later in the meeting and shareholders may ask questions in relation to each resolution before it is voted on. There will also be an opportunity for questions and comments about the business after the addresses from the Chief Executive and myself.

In the course of the meeting, we will also respond to questions and comments raised by shareholders prior to the meeting.

This meeting is being streamed via a live audio and video link with the presentation slides.



Following my address, I will hand over to our Managing Director and Chief Executive Brent Robinson who will talk about the business in more detail.

Chair's Address

Firstly, I would like to introduce my colleagues who are here on stage with me:

- Brent Robinson: Brent is our Managing Director and Chief Executive – Brent is well known to you all for his long experience and leadership of the Company.
- Lorraine Witten: Lorraine has been on the Board since March 2017 and chairs our Audit and Risk Committee. Lorraine has extensive governance, senior management and business experience in the technology and communications sector.
- Keith Oliver: Keith has also been a Board member since March 2017 and chairs our People Committee. Keith is a professional director and business adviser and has experience with New Zealand and international technology companies.
- Keith Watson: Keith has been on the Board since September 2018. Keith has local and international management and governance experience in engineering and technology businesses. Keith is a member of Rakon's Audit and Risk Committee.
- Anand Rambhai Anand is our Chief Financial Officer. Anand has been with Rakon for eight years including being the CFO for the last three years.
- As was the case last year, you will note our numbers here on stage are fewer than usual. Due to the COVID – 19 pandemic, Director, Tony Tseng who is based in Taiwan is not able to join us today and nor are any of his colleagues. Tony, is the Chair of Siward Crystal Technology Company Limited and has been on the Board since March 2017. Siward is a substantial shareholder of Rakon.
- For myself – I have been on the Board since 2005 taking over the role of Chair in 2018. I am a former managing partner of Deloitte in Christchurch and a professional director with experience across a broad range of New Zealand companies. I retire by rotation this year and am offering myself for re-election at this meeting.
- In the front row is our Company Secretary and in-house legal counsel, Maureen Shaddick. Maureen has been with Rakon for almost three years.
- Brent will introduce you to other members of the Executive team when he speaks.

I would also like to acknowledge the presence of representatives of our auditor PricewaterhouseCoopers, legal adviser Bell Gully and the team from Computershare. Computershare manages Rakon's share register and is responsible for managing and scrutineering the voting at today's meeting.



I am very proud to be the Chair of Rakon Limited. Rakon is a globally recognised leader in the frequency control product industry providing timing and synchronisation solutions for equipment in the Telecommunications, Positioning, Space and Defence sectors.

In today's world where technological changes are occurring at an ever increasing rate this is an exciting but challenging industry to be part of.

Financial Snapshot FY2021

In the financial year ended March 2021, we built on the improvements recorded in the three previous financial years. We delivered revenue growth and increased Net Profit and Underlying EBITDA¹ predominantly from growth in the Telecommunications sector. The steady improvement in Underlying EBITDA¹ has continued over the last five years, as shown in the presentation slide. In April 2021 your Board indicated further improvement with forecast Underlying EBITDA¹ in the range of \$27 million to \$32 million for FY2022. I can advise today that we are currently tracking to the top end of this guidance range, but that could be impacted by significant global shortages and increased lead times for inventory as well as the continuing uncertainty arising from the Covid-19 pandemic affecting our operations and those of our suppliers and customers.

Shareholder Value

Looking back at FY2021, we are pleased with the way the Rakon team tackled the challenges and opportunities during the year and grew the business. We were also pleased to see the improved performance and growth reflected in a significant increase in Rakon's share price.

We kept our people safe and demonstrated the resilience of our people in maintaining operations through the disruption presented by Covid-19. While in New Zealand, our manufacturing plant has been able to operate as normal, except during the local Level 4 lockdown, our factories in France and India had to manage much greater disruption and restrictions as the pandemic continued and resurged in those countries.

There is no question that the business suffered significantly in the first few months of the year due to Covid. We qualified for the wage subsidy and it proved critical in assisting the business to get through those first few months intact.

Ultimately, however, new opportunities also flowed from the pandemic. These were captured by the company, demonstrating Rakon's understanding of its industry and markets, its agility and its ability to scale-up its operations.

In the latter part of the first half of 2021, we saw increased demand from our Telecommunication customers. Initially this was thought to be the purchase of security

¹ 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

stock to hedge against Covid disruption, however this demand continued through the year resulting in the 18% increase in the Telecommunications revenue reported.

In the second half, Rakon was able to respond to the world-wide TCXO shortage. Through a combination of Rakon's own proprietary chip, engineering expertise to adopt an alternative chip, good inventory levels, industry connections and partnerships and ability to expand its operations by building its own equipment, Rakon was able to meet both the early demand generated by the TCXO shortage and then to scale up and commit to longer term orders. For example, Rakon New Zealand's production capability is now 40% higher than it was in FY2021. Significant long term orders secured late in FY2021 are reflected in our forecast for FY2022.

Strategy

Over the course of FY2021 your board and management undertook a strategy review. There was a strong focus on determining the long and short term objectives, tasks and deliverables to ensure Rakon could respond appropriately to future challenges. These are monitored and progress is reported to the Board on a monthly basis.

Rakon continues to service four principal market segments: Telecommunications, Positioning, Space and Defence and is a preferred supplier of most Tier One and Two customers and other strategic customers in these markets.

Rakon's particular strength is its industry leading Research & Development resulting in products which meet the most challenging specifications and which are difficult to replicate. Rakon works alongside its customers to develop solutions and enable them to advance their applications and technology.

Rakon maintains its strong focus on Research & Development including further advancing its nano-quartz XMEMS technology to support the development of next generation products and to compete with silicon-based MEMS technology. Design-in wins using this advanced technology, which significantly enhances performance, have already been achieved.

Our global operations are efficient and highly scalable. With access to low cost manufacturing through our operations in India and our partners such as Siward and through the Research & Development global centres of excellence, we are able extend the life of our existing product lines and explore and develop new applications and technology.

We have highlighted these areas as strategic priorities and we are pleased to be making good progress.

Some of the key strategic achievements the Board has endorsed over the last year and which have been supported through securing new funding lines include:

- The approval of business case for further investment in XMEMS

- The approval of investment in new, modern and fit for purpose premises in India which also provide a platform for expansion of Rakon's current operations.
- Support of initiatives to enhance global capabilities.

Governance

The Board was busy in FY2021 supporting management in its response to the risks and disruption arising from the Covid-19 pandemic. There were 16 Board meetings to provide support to management and regular oversight of the business. Throughout the year, the Board sought to take all practicable measures for the health and safety of its employees and to maintain manufacturing, research and development and engagement with customers across Rakon's global operations. The resilience of the global team has been exceptional, not only in responding to the challenges of operating in pandemic but also in responding to the new opportunities that emerged during the course of the year.

We are committed to continuous improvement in our governance practices and seek to ensure there is a sound framework for governance and risk management to support this commitment. In our Corporate Governance Statement in the 2021 Annual Report, we provide a detailed account of our compliance with the New Zealand Stock Exchange (NZX) Corporate Governance Code. Key governance charters, policies and guidance are available on our website.

At our last Annual Meeting in 2020, your Board undertook to review our Investor Communications strategy. This is an ongoing exercise but we trust you have appreciated our new website and greater options for receipt of investor news. Management has seized opportunities to celebrate achievements, such as Mars Rover having Rakon parts on board. We have also sought to understand Rakon investor perception and we have engaged external expertise to assist with the refresh of our reports and presentations.

To secure longer term credit facilities to support investment in inventory and equipment for increased demand, future proofing of existing operations and expansion opportunities, Rakon entered into a flexible five-year agreement with a new debt provider, Tanarra Credit Partners, while retaining ASB as its trading banker.

The improved NPAT and cash flow have inevitably prompted discussion of a dividend for shareholders. Your Board believes Rakon should continue to maintain a conservative balance sheet and consolidate its improving financial position as we manage ongoing supply chain and Covid-19 related uncertainties and risks.

The Board appreciates the loyalty of its shareholders who have continued their investment and recently joined the Rakon register and assures shareholders that if the forecast results for FY2022 are achieved, and there is no significant capital requirement on the horizon, we will pay a dividend in respect of the 2022 year.

I note that in the current year, to maintain the growth trajectory we are on, we have several projects that will require approximately \$20 million of expenditure over and above our



normal levels. These include our new India factory, XMEMS and NewSpace development. Brent will go into more detail on these in his presentation.

The Board is aware some shareholders have promoted the concept of a share buyback and Directors appreciate this is another tool that can be used to reward shareholders. Again, we reiterate that for the time being Directors believe it is prudent to maintain a conservative balance sheet and our current preference for rewarding shareholders would be by way of dividend.

The Board was pleased to see the Rakon share price improve in the last quarter of FY2021 as the market began to recognise Rakon's steady improvement in performance, its ability to quickly capture opportunity and its inherent potential.

Your Board and management have worked very hard to regain investor trust after our failed foray in to China to compete in the smart phone GPS market. After five years of hard work, we have now reached the position where we believe we have a long term sustainable base, underpinning our future profitability. We look forward to investor confidence in Rakon continuing to grow.

Later in the meeting, you will be invited to vote on two resolutions in relation to the Board. The first relates to my re-election as a director of Rakon while the second relates to an increase in the level of directors' fees.

As you are aware, I have been on the Board of Rakon for 16 years and some people believe that may be too long. My particular focus since I assumed the position of Chair three years ago has been to see the company return to a positive performance trajectory. As demonstrated in our FY2021 results, which again showed an improvement on the previous year, and our forecast for FY2022, it does appear we are achieving that goal. I believe the company is in a good position to sustain this positive performance. My focus now is on ensuring a steady and careful transition of my tenure as a director and Chair and a consequent review and refresh of the skills and experience required at the Board table to guide the company through its next phase. It is not my expectation that this transition process should take a full term of three years and I will formally announce my retirement when the Board is satisfied we have completed our succession planning.

The other resolution proposing an increase in directors' fees also aligns with the succession planning of the Board. The Board believes fair and competitive fees are essential in attracting and retaining directors who have the skills and experience necessary to govern the company. It was timely after 15 years to determine whether Rakon directors' fees were consistent with those being offered by listed companies with a similar scope of responsibilities and of a similar size and performance. As a result of that review we have presented a proposal to increase Rakon directors' fees at today's meeting.

On behalf of the Board I would like to thank the Rakon Executive and employees here in Auckland, in India, France and the UK and in our sales offices around the world for the



excellent results achieved in FY2021 and expected in FY2022; your loyalty, commitment and hard work for Rakon is appreciated. A special thank you to all our global teams for whom the daily impact of the Covid-19 pandemic on their lives continues more directly than for those of us based in New Zealand.

Also, thank you to our technology partners Siward whose representatives unfortunately cannot be with us here today but who continue to work closely with the Rakon team. While Siward have recently reduced their holding in, Siward remain a substantial shareholder and have confirmed their commitment as a long term investor and technology partner.

And, thank you, to you our shareholders, for your continued support. I assure you the Board is very focused on acting in the best interest of the company and improving shareholder value and return.

I now invite Brent Robinson to provide further commentary on the company's performance and a business update and later after a time for questions I will address the formal resolutions of the meeting.

-ends-

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