



Results for announcement to the market		
Name of issuer	Rakon Limited (RAK)	
Reporting Period	6 months to 30 September 2020	
Previous Reporting Period	6 months to 30 September 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$59,534	+4.6%
Total Revenue	\$59,534	+4.6%
Net profit/(loss) from continuing operations	\$4,641	+246%
Total net profit/(loss)	\$4,641	+246%
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividends are proposed to be paid.	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.40	\$0.36
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the accompanying comments and the unaudited interim financial statements released in conjunction with this announcement	
Authority for this announcement		
Name of person authorised to make this announcement	Maureen Shaddick, Company Secretary	
Contact person for this announcement	Anand Rambhai, Chief Financial Officer	
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Contact email address	anand.rambhai@rakon.com	
Date of release through MAP	19/11/2020	

Unaudited financial statements accompany this announcement.



19 NOVEMBER 2020

RAK HY2021 RESULTS ANNOUNCEMENT COMMENTARY

Rakon announces its half-year financial result to 30 September 2020

NZ\$m ¹ , unaudited	HY2021	HY2020	% change
Revenue	59.5	56.9	+5%
Underlying EBITDA ²	11.4	6.9	+64%
Net profit after tax	4.6	1.3	+246%
Operating expenses	24.5	25.1	-3%
Operating cash flow	7.9	3.4	+131%

¹ All figures are presented in New Zealand dollars unless otherwise indicated

² Refer to note 4 of the HY2021 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

Rakon Limited ('Rakon') achieved a net profit after tax of \$4.6m¹ (HY2020: \$1.3m) and Underlying EBITDA² of \$11.4m (HY2020: \$6.9m) for the six months to 30 September 2020.

Despite the initial effects of Covid-19 being severe, a strong first half-year result was achieved due to prompt mitigation actions in Q1 and increased demand in Q2.

From late March through April 2020, manufacturing at Rakon's plants in New Zealand and India was restricted or shut down. Strong actions were taken across Rakon's global operations to protect the business including agreeing reductions in staff salaries, directors' fees and rents, cutting discretionary expenditure and obtaining government relief where eligible. This response, combined with a bubble of high demand in the Telecommunications segment from July onwards, produced a robust first half-year earnings result. Earnings growth is not expected to continue at the same rate for the remainder of FY2021 and Rakon's full year guidance of \$16m – \$18m Underlying EBITDA as issued in August 2020 remains valid.

Telecommunications revenue was 19% higher than the same period last year and now makes up 64% of Rakon's total revenue. The increase in demand in Q2 was mainly out of the New Zealand business as many Tier 1 customers managed their supply chain risks through building safety stock. In the second half of FY2021 with ongoing economic uncertainty from geopolitical tensions and Covid-19, mobile network operators appear cautious about their 5G deployment plans and therefore growth in the Telecommunications segment is expected to be less pronounced in this period.

Revenue from the Global Positioning segment continued to trend down in the first half as the high volume, low margin GNSS (global navigation satellite system) business continued to decline. Revenue was also lower from aviation customers who were impacted by Covid-19. The Global Positioning segment is expected to improve in the second half of FY2021 as demand for emergency beacon and agricultural applications returns and Rakon continues to focus on its high margin, precise positioning products.

The Space & Defence segment was lower than the same period last year with lower space revenue due to the phasing of orders partially offsetting higher defence revenue out of Europe. Overall, the Space & Defence segment is expected to improve in the second half and exceed the full year FY2020 revenue recorded. Key contributions are expected from new business supplying into a low earth orbit satellite deployment and growth in the domestic Space business in India.

Inventory levels were higher at 30 September 2020 than at 31 March 2020 due to increasing customer demand for longer lead-time products and carrying safety stock as a mitigation for potential supply chain interruptions.



Net debt improved by \$5.1m to \$2.8m over the six-month period due to strong operating cash flows and lower capital expenditure. Operating cash was \$7.9m driven by the half-year earnings and historic R&D tax credits received during the period.

The Directors confirm that the HY2021 results announcement is based on unaudited results.

The Directors have declared that no dividend is to be paid for the interim period to 30 September 2020. Rakon maintains a dividend policy such that it will pay a dividend of up to 50% of the after tax profit, if considered fiscally appropriate. The payment of dividends is subject to the approval of Rakon's bank, ASB Bank, under its facility arrangement.

The Directors declare that the unaudited consolidated interim financial statements which accompany this announcement have been prepared in compliance with applicable Financial Reporting Standards. The accounting policies the Directors consider critical to the portrayal of the company's financial condition and results, which require judgements and estimates about matters which are inherently uncertain, are disclosed in each note of the unaudited consolidated interim financial statements and in the annual report for the year ended 31 March 2020.

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Brent Robinson

Chief Executive Officer & Managing Director

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About Rakon

Rakon is a global high technology company and a world leader in its field. The company designs and manufactures advanced frequency control and timing solutions. Its three core markets are Telecommunications, Global Positioning and Space and Defence. Rakon products are found at the forefront of communications where speed and reliability are paramount. The company's products create extremely accurate electric signals which are used to generate radio waves and synchronise time in the most demanding communication applications. Rakon has three manufacturing plants and six research and development centres. Customer support personnel are located in sixteen offices worldwide. Rakon is proud of its New Zealand heritage; it was founded in Auckland in 1967. It is a public company listed on the New Zealand stock exchange, NZX, ticker code RAK.

www.rakon.com