



8 April 2020

Rakon (RAK) COVID-19 Update

Rakon Limited ('Rakon') advised the market on 5 March 2020 that its previously announced guidance of Underlying EBITDA¹ of between NZ\$9 million and \$11 million for the 12 months to 31 March 2020 (excluding the impact of IFRS² 16 Leases) remained valid, despite some uncertainty about its supply chain and customer behaviour at the time due to the outbreak of COVID-19.

Rakon is pleased to confirm that subject to the completion of final accounting and audit it expects to report results for the year ended 31 March 2020 consistent with the earlier guidance.

With the disruption to year-end accounting and audit practices caused by the COVID-19 Alert Level 4 Lockdown in New Zealand, Rakon has elected to avail itself of the relief on the timing of the release of its financial statements and annual report available under the Class Waiver announced by the Financial Markets Authority. Rakon will release its financial statements in June 2020 (the announcement date and teleconference details will be advised closer to the time), followed by its annual report before the end of July 2020.

Rakon manufactures components critical to equipment providers for the Telecommunications and Civil Defence sectors, including being a sole-source supplier to some customers in these sectors. In New Zealand, Rakon has received confirmation from the Ministry of Business Innovation and Employment Essential Service Covid-19 Response Team that it may continue to operate. Rakon recognises that in continuing to operate it must ensure it follows all practices necessary to protect the health and safety of its staff and the public from the spread of COVID -19. Only those staff required for the manufacturing process are working on site. It has been necessary to reduce the numbers working on many processes to ensure appropriate physical distancing while at work and during rest breaks. All Rakon employees who are not required for production continue to work from home.

Rakon's manufacturing plant in Bangalore in India has been affected by the three week lockdown declared in India but has received permission to restart some limited manufacturing. In Europe Rakon's operations have also been affected, with restrictions and lockdowns, similar to those seen in New Zealand, impacting productivity.

There is good forecast demand for Rakon product particularly from the Telecommunications sector and improving levels of confirmed orders. However, as the COVID-19 pandemic spreads Rakon is carefully monitoring this demand against its supply chain from vendors across the world and managing alignment with Rakon's own available resources and delivery logistics. Rakon's procurement, planning and sales teams are in regular contact with vendors and customers.

The COVID-19 pandemic has impacted, and is expected to continue to impact, production and revenue. It is too early to ascertain the full extent of this impact or to offer any guidance for the financial year ending 31 March 2021.

In these uncertain times the Board and management believe it is prudent to consider a range of measures to sustain the business. Rakon has initiated some early actions with the principal

objectives to look after our people and manage the company through the difficult social, operational and trading conditions caused by the COVID-19 pandemic and government responses around the world. These actions include:

- Activating the Rakon Crisis Management Team to respond as quickly as possible to the rapidly evolving situation caused by COVID -19 including restrictions and lockdowns affecting Rakon's production in New Zealand, India and France;
- Developing health and safety response plans effective for all levels of the COVID-19 pandemic consistent with guidelines and requirements of the authorities in all the countries in which Rakon operates;
- Seeking access to government support where eligible and appropriate to enable it to retain staff for as long as possible including the Wage Subsidy scheme available in New Zealand and similar schemes in other jurisdictions in which Rakon operates;
- Reducing and implementing rigorous controls on discretionary expenditure;
- Placing a freeze on the hiring of new staff;
- Ceasing non-essential capital expenditure;
- Applying salary reductions across a large part of the employee base;
- Reducing directors' fees by 50%;
- Deferring bonus payments for eligible staff and freezing salary increases.

Rakon acknowledges the disruption the COVID-19 pandemic is causing for its staff and communities, and values and appreciates the strength and commitment shown by its employees in dealing with the decisions and actions that affect them and their families.

The Board and management will review Rakon's outlook and assess what other measures may be necessary and provide further updates as the local and global situation evolves.

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¹ **Disclosure of Non-GAAP Financial Information.** Rakon uses 'Underlying EBITDA' as a measure of non-GAAP financial information and it is defined as: 'Earnings before interest, tax, depreciation, amortisation, impairment, employee share schemes, non-controlling interests, adjustments for associates and joint venture's share of interest, tax & depreciation, loss on disposal of assets and other cash and non-cash items.' Underlying EBITDA is a non-GAAP measure that has not been presented in accordance with GAAP. The Directors present Underlying EBITDA as a useful non-GAAP measure to investors, in order to understand the underlying operating performance of the Group and each operating segment, before the adjustment of specific cash and non-cash items and before cash impacts relating to the capital structure and tax position. Underlying EBITDA is considered by the Directors to be the closest measure of how each operating segment within the Group is performing. Management uses the non-GAAP measure of Underlying EBITDA internally, to assess the underlying



operating performance of the Group and each operating segment. A detailed reconciliation of Underlying EBITDA to net profit after tax is contained at note B1 c) (Segment information) of the unaudited financial statements for the six months ended 30 September 2020.

² IFRS International Financial Reporting Standard

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 has six research and development centres. Customer support personnel are located in fifteen 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.