

# FY2020 Financial Results & Business Update

**rakon**

Enabling the  
Connected Future

# Agenda FY2020



Agenda Items	Presenter
FY2020 Financial Results	Anand Rambhai (CFO)
FY2020 Key Achievements	Brent Robinson (CEO, Managing Director)
Market Update	Brent Robinson
Q&A Session	
Closing Comments and Outlook	Brent Robinson



Anand  
Rambhai



Brent  
Robinson

# **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<sup>1</sup>
    - As reported: \$14.8m vs. \$13.3m in FY2019
    - FY2020 includes \$3.1m related to IFRS 16 Leases
- ◀ **Operating Cash Flow \$9.4m**

Revenue

Up \$5m

Net profit after  
tax

Up \$0.6m

Underlying  
EBITDA<sup>1</sup>

Up \$1.5m

Notes:

All figures are presented in New Zealand dollars unless otherwise indicated

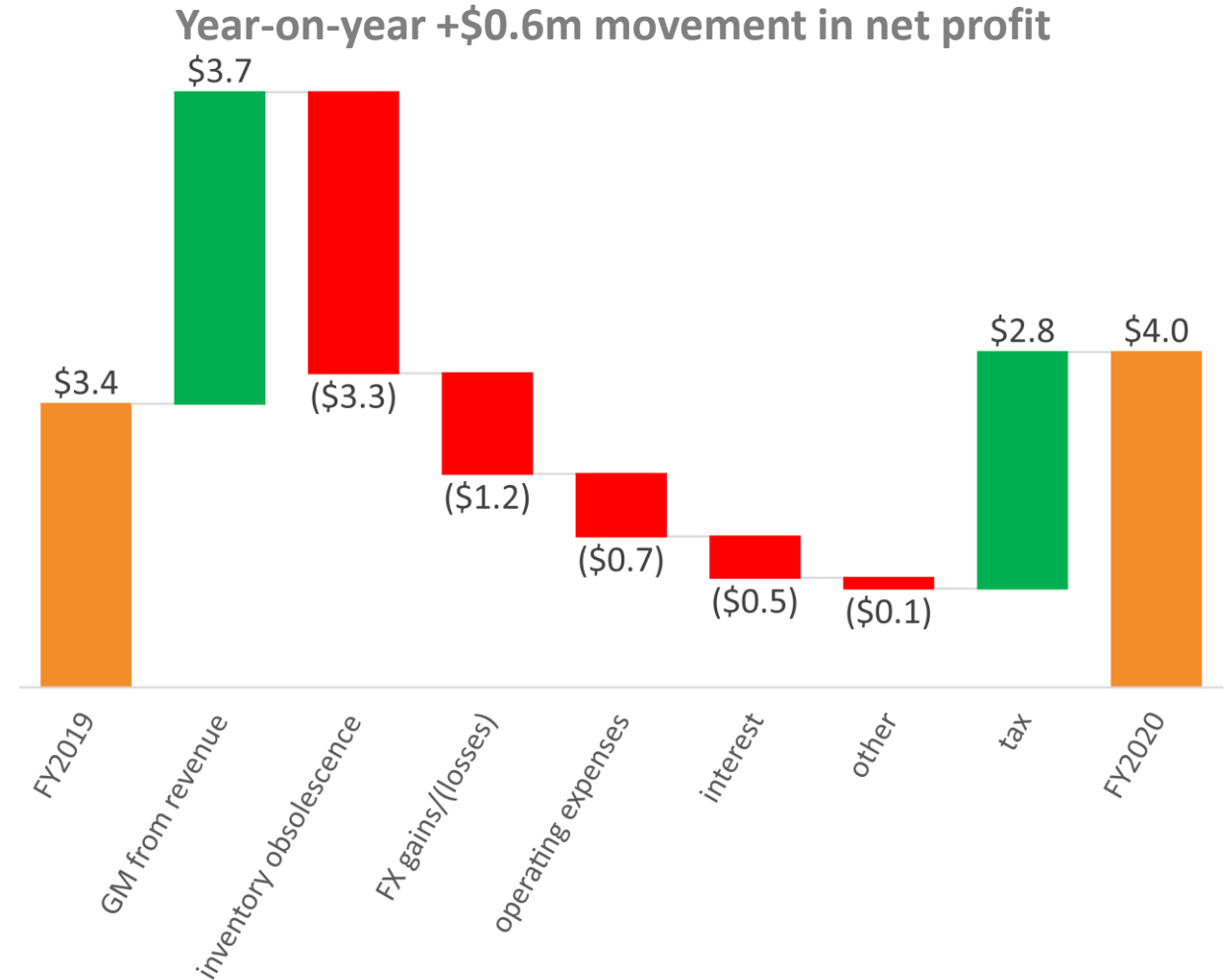
<sup>1</sup> Refer to note 4 of the FY2020 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to NPAT

# Movement in Year-on-Year Net Profit After Tax



## ◀ 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



# FY2020 Financial Results



NZD Millions	FY2020	FY2019	variance
Revenue	119.0	114.0	+5.0
Gross profit	52.0	51.7	+0.4
Operating expenses	48.1	47.3	+0.7
Underlying EBITDA <sup>1</sup>	14.8	13.3	+1.5
Depreciation & amortisation	8.8	5.8	+3.0
Net profit/(loss) after tax	4.0	3.4	+0.6
Earnings (cents per share)	1.8	1.5	+0.3
Operating cash flow	9.4	(1.8)	+11.2
Capital expenditure	4.6	7.1	-2.4
Net debt	7.9	7.7	+0.2
Shares on issue at balance date (millions)	229.1	229.1	-

- ◀ 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

<sup>1</sup> 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

## **FY2020 Key Achievements**

# 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**





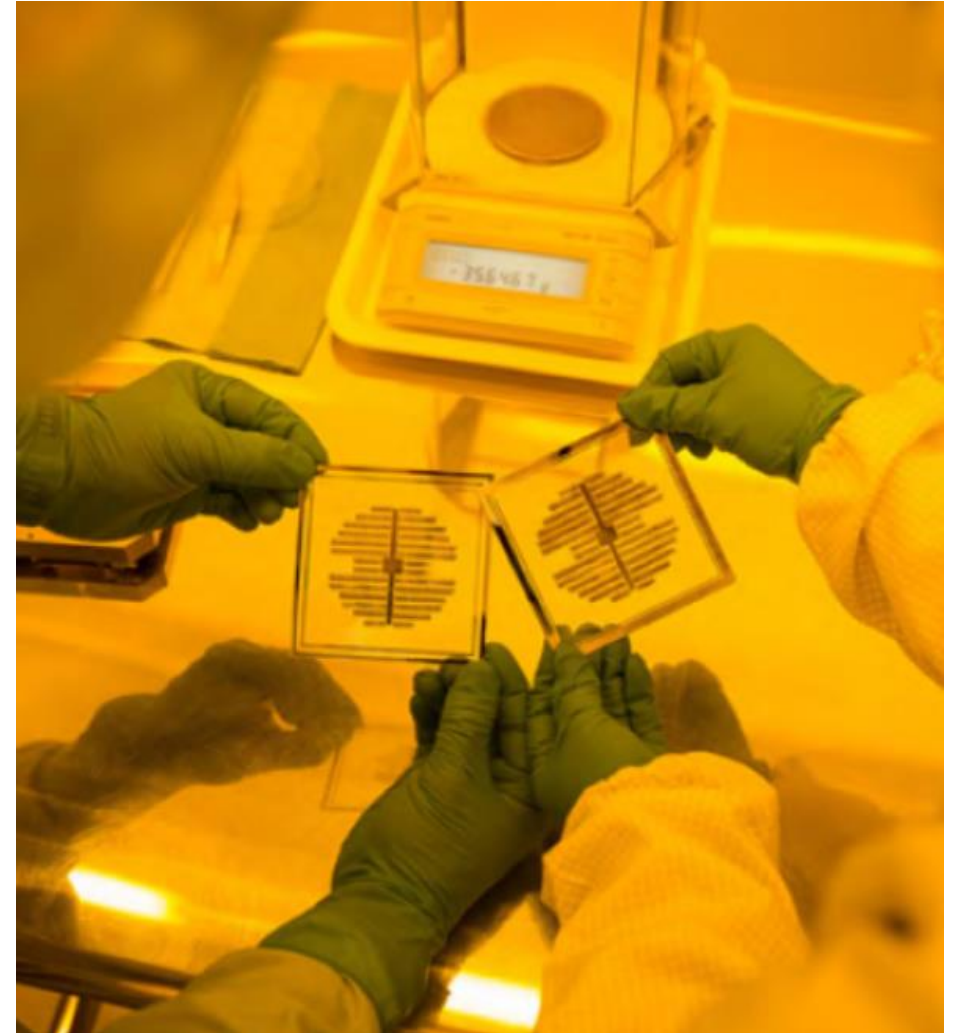
## FY2020 Key Achievements

- ◀ **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**

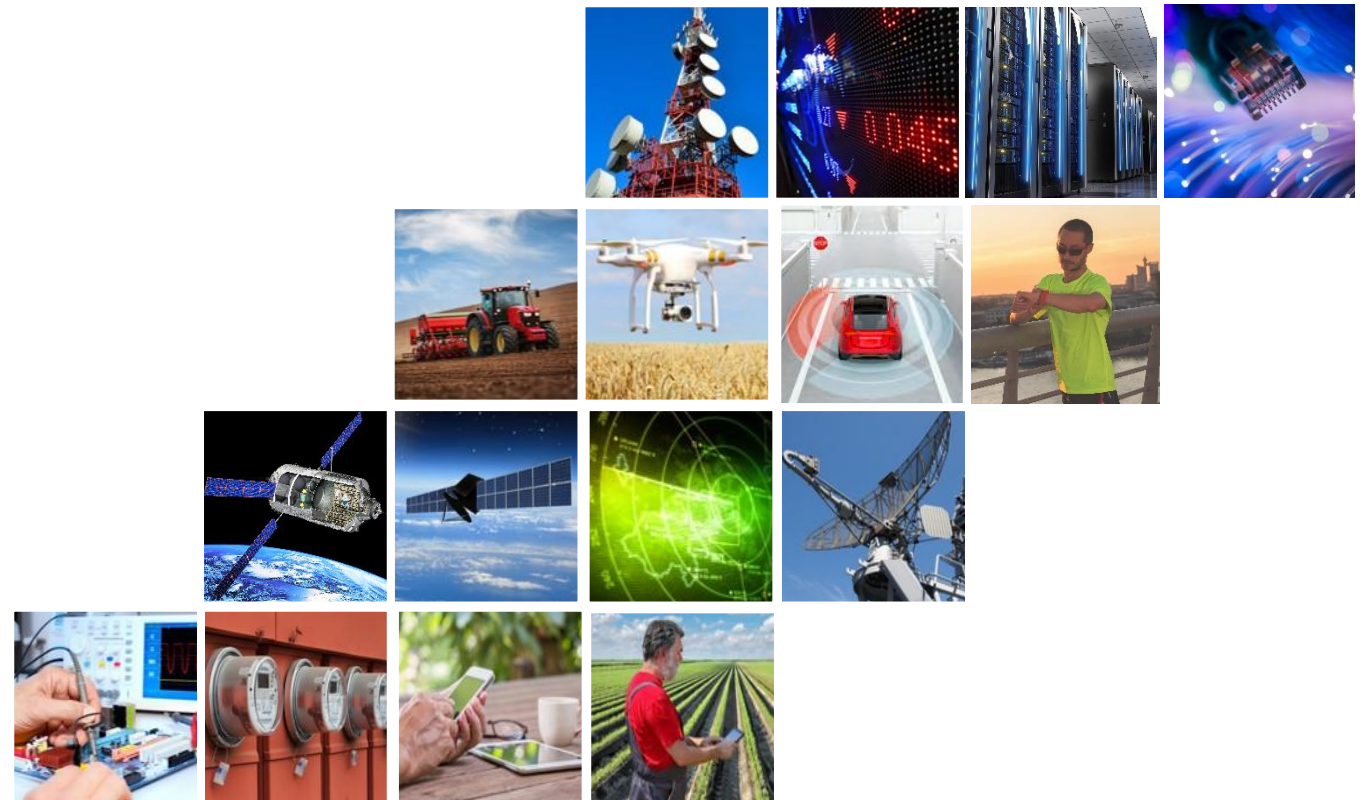


# The XMEMS™ Difference

- ◀ **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**



# Market Update



## ◀ 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

## < 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**



## 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

