

FY22 financial results & business update

12 months to 31 March 2022



Enabling the connected future

Disclaimer



This presentation contains not only a review of operations, but also some forward looking statements about Rakon Limited and the environment in which the company operates. Because these statements are forward looking, Rakon Limited's actual results could differ materially

Although management and directors may indicate and believe that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised

Media releases, management commentary and investor presentations are all available on the company's website and contain additional information about matters which could cause Rakon Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Rakon Limited

Agenda



Key highlights and achievements

Operating performance & market update

Financial overview

Summary & outlook

Q&A

Sinan Altug (CEO)

Sinan Altug

Anand Rambhai (CFO)

Sinan Altug



Sinan Altug



Anand Rambhai

FY22 – key highlights & achievements



Financial results – highlights

Record performance driven by increased revenue and margins



Revenue

\$172.0m

▲ \$43.7m +34%

Underlying EBITDA¹

\$54.4m

▲ \$30.9m +132%

Net profit after tax

\$33.1m

▲ \$23.5m +244%

Operating cash flow

\$30.2m

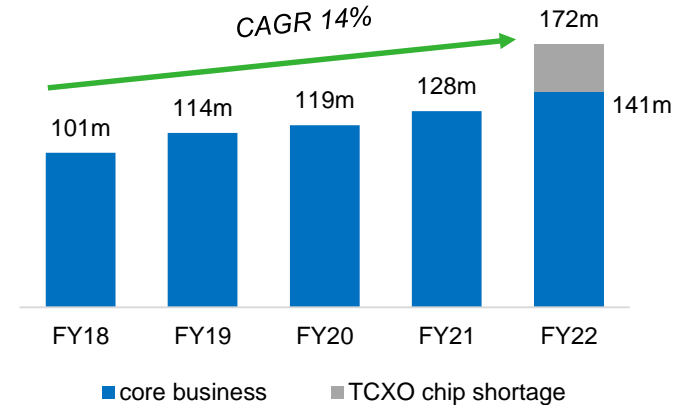
▲ \$10.2m +51%

Net cash/(debt)

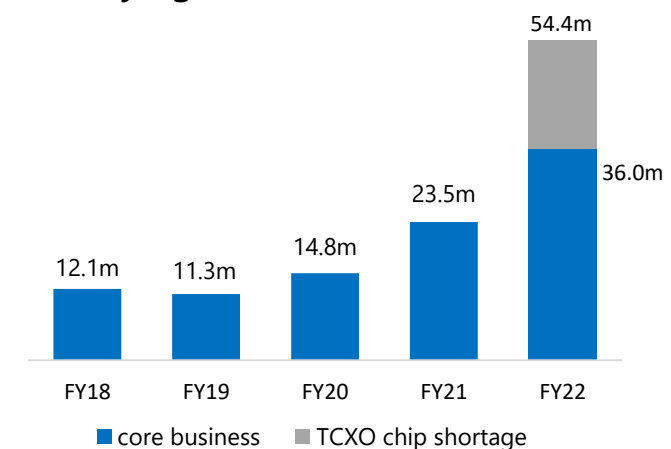
\$23.2m

▲ \$18.2m +361%

Revenue



Underlying EBITDA



Notes:

All figures are presented in New Zealand dollars unless otherwise indicated

All comparisons are to the prior corresponding period (i.e. 12 months to 31 March 2021) unless otherwise noted

¹ Refer to note 5 of the FY22 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

FY22 key achievements

Strong delivery amidst supply chain challenges, technology advancement continues



- **Record earnings performance**
primarily driven out of NZ
- **Strong revenue growth**
Including 10% average core market growth
- **Increased market share**
in key telecommunications and positioning markets
- **Significant lift in capacity and output**
To meet core market growth and new business stemming from global chip shortages
- **Proactive risk management**
Successful navigation through supply chain disruptions, materials shortages and Covid-19
- **Technology innovation and product development**
Key milestones achieved in new products, plus chip and XMEMS® technologies



Operating performance and market update



How we create value



We drive the advancement of precision timing and frequency control solutions in our core markets, and ensure long product lifecycles through operational excellence and enduring customer relationships



Core markets – Telecommunications

Strong 5G growth and improved market share



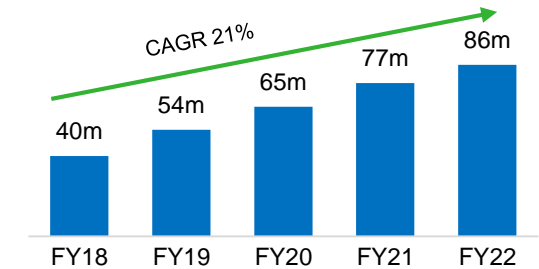
FY22 achievements

- Revenue up 12% driven by increased Tier 1 customer share and 5G rollout. Growth constrained by component shortages and capacity limitations
- Gross margin % increased to 44% from improved product mix
- Substantial uptake of new 5G radio heads and small cells using major semiconductor reference designs
- Key customer relationships within evolving O-RAN ecosystem

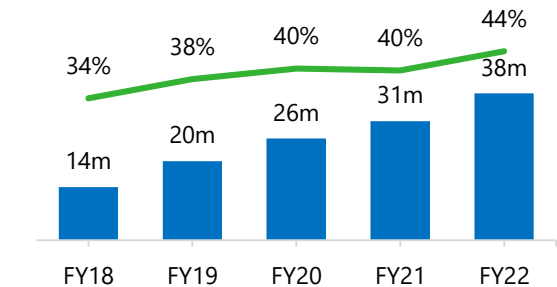
FY23 focus

- 5G: strong order book continues: 5G base stations, distribution units and radio heads
 - Ongoing delivery risk management in NZ and India, incl. materials availability and factory move
 - New products planned for release – enabling greater speed, reliability, stability & resilience
- Datacentres: build new customer relationships as datacentres move to become communication service providers, and the need for tighter/better synchronisation evolves
- Ongoing involvement in industry bodies developing 6G standards

Revenue



Gross margin



Rakon in the Telecommunications market:

Our market-leading telecommunications products enable data to be transmitted across networks at ever-increasing levels of speed and reliability, with market growth being led by the unrelenting advancement of telecommunications and cloud computing equipment and infrastructure.

We are a primary supplier to 5 of the top 7 global telecommunications infrastructure companies, with segment revenue generating 50% of Rakon's total FY22 revenue.

Core markets – Space & Defence

New LEO satellite (NewSpace) products announced



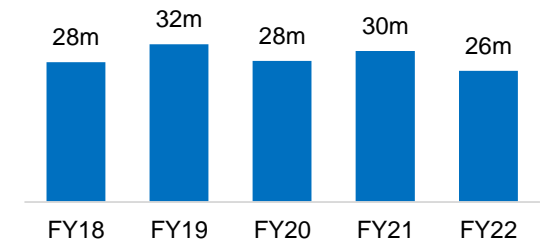
FY22 achievements

- New LEO product suite announced – broadest range of frequency generation and distribution products in the sector
- Continued with the transformation of the Space customer base with now more of the Space revenue emanating from NewSpace customers
- Revenue 13% lower, primarily due to delayed investment in US Defence programme spending from the prior year
- Highest gross margin % within core markets, stable

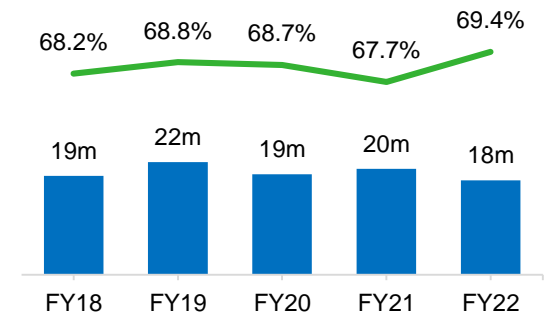
FY23 focus

- Space order book is strong – focus on delivery
- NewSpace business development:
 - Bid participation/success in new mega satellite constellation contracts
 - Establish credibility as a key subsystem equipment provider in the ecosystem
- Watching defence developments closely with US and European partners. Will work within Rakon policy and export code requirements

Revenue



Gross Margin



Rakon in the Space & Defence markets:

Our space and defence products deliver highest levels of performance in extreme environments; in aviation, satellites, radar, communications and positioning systems. Market growth is being led by the emerging low earth orbit (LEO) satellite market.

We have longstanding customer relationships with government agencies and commercial programmes around the world, with segment revenue contributing 15% of Rakon's total FY22 revenue (6% space; 9% defence)

Core markets – Positioning

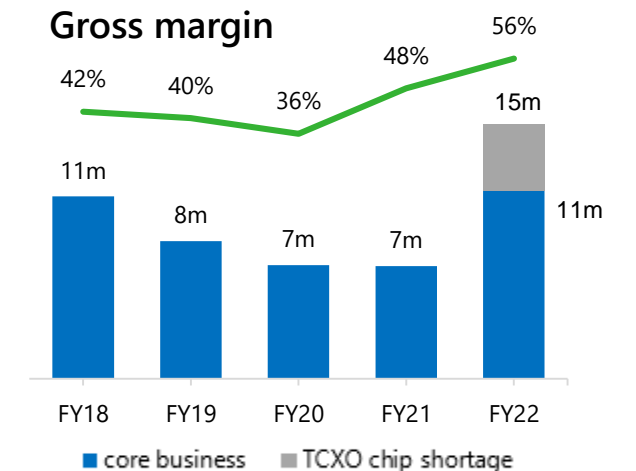
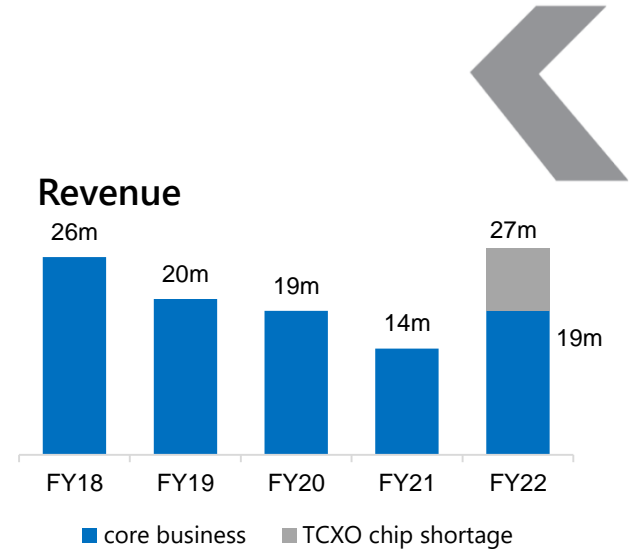
Strong underlying growth in industrial, automotive and precision

FY22 achievements

- Revenue 94% higher, driven by industrial applications and global TCXO chip shortages
- Gross margin % also up due to improved product mix
- 35% growth in underlying industrial, automotive and precision segments. Existing customer relationships leveraged leading to increased share of business

FY23 focus

- Capture opportunities in growing industrial positioning market
- Retain expand strategic new business in industrial, automotive, safety and tracking applications
- Autonomous vehicles and industry standards evolving – focus on growing existing business and new opportunities where our products meet technology roadmaps



Rakon in the Positioning market:

Our products meet the most accurate positioning requirements in key industries: aircraft/marine navigation, emergency beacons, automotive, autonomous agriculture & mining. Market growth is being led by autonomous industrial equipment, autonomous vehicles and precision equipment.

In recent years we have pivoted away from consumer high-volume/low value segments to focus on the high-growth segments where we have a product performance advantage. Positioning revenue contributed 16% of Rakon's total revenue in FY22.

Core markets – IoT, emerging & other

Worldwide chip shortage opportunity captured



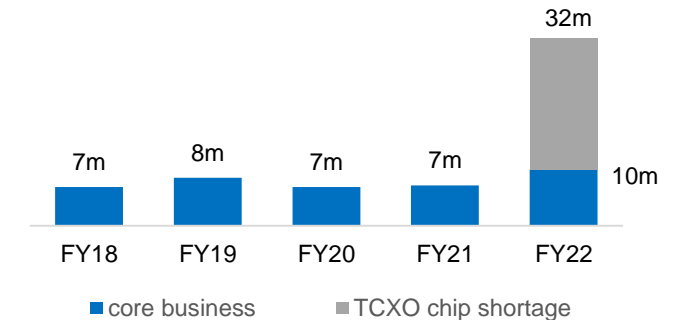
FY22 achievements

- Revenue and gross margin higher primarily from orders due to global TCXO chip shortages (application: IoT devices)
- 80% of TCXO chip shortage orders delivered

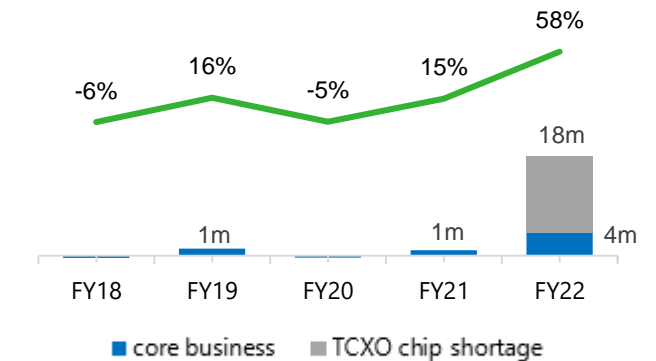
FY23 focus

- Pursue ongoing multi-source customer requirements

Revenue



Gross margin



Rakon in the IoT, emerging and other market:

Our products are used in emerging industrial applications such as wireless control, test and measurement, Internet of Things (IoT), Machine-to-Machine, smart grids and metering. In FY22 this segment contributed 19% of Rakon's revenue as we captured we captured opportunities stemming from global chip shortages.

Customer partnerships

Long term relationships with industry leaders



FY22 achievements

- Three new strategic relationships with emerging 5G & networking players
- Manufacturing delivery achieved through supply chain/materials shortages with continued support from Tier 1 customers
- Strengthened relationships through localised customer support during Covid

FY23 focus

- Continued work with customers on next generation technologies (incl. semi-conductor chipset reference designs; next level OCXO technologies for 5G; NewSpace)
- Reduced customer supply risk through dual sourcing/dual manufacturing strategy
- Ongoing pricing management in inflationary environment
- Investing to build new relationships and strengthen existing relationships in all core markets



Key participants in Rakon's core markets

Our competitive advantage:

Rakon's deep, enduring (10–30+ year) industry relationships drive the development of industry-leading next generation technologies which are aligned to our customers' future needs, and enable the inclusion of our products into customers' reference designs.

We are the supplier to the majority of Tier 1 companies in all our core markets., with our top 10 customers contributing 55% of Rakon's total revenue

Technology innovation

New technologies delivering industry-leading performance



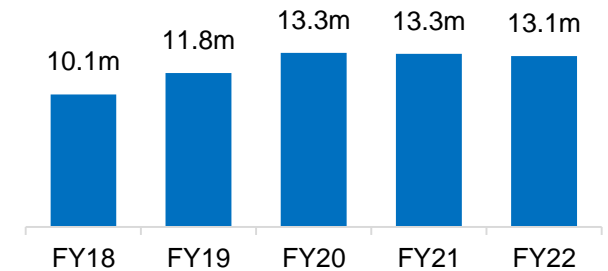
FY22 achievements

- Semiconductor chip design team established in New Zealand as an extension of our UK team of experts to expand and future-proof continuous core IP development
- New products and technologies:
 - New TCXO chip - based products developed/delivered in 3 months
 - NewSpace (low earth orbit) suite of products announced
 - XMEMS® nanotechnology based products are delivering industry leading performance
 - Strong market interest in products using next-generation semiconductor chips

FY23 focus

- Scaling up for mass production of XMEMS® nanotechnology based products
- Release of next-generation products using new chips
- NewSpace subsystem modules: develop technology partnerships within ecosystem

R&D investment
including capitalised R&D



Our competitive advantage:

Rakon has a 50+ year history of working with customers and partners in multi-year timeframes to develop next-generation technologies.

Our product performance advantage and difficulty of replication ensures long product lifecycles and revenue streams, and our portfolio of patented products and technologies provides a competitive moat against commoditisation.

Flexible, scalable operations

Proactively managing supply chain risk, scaling up for growth

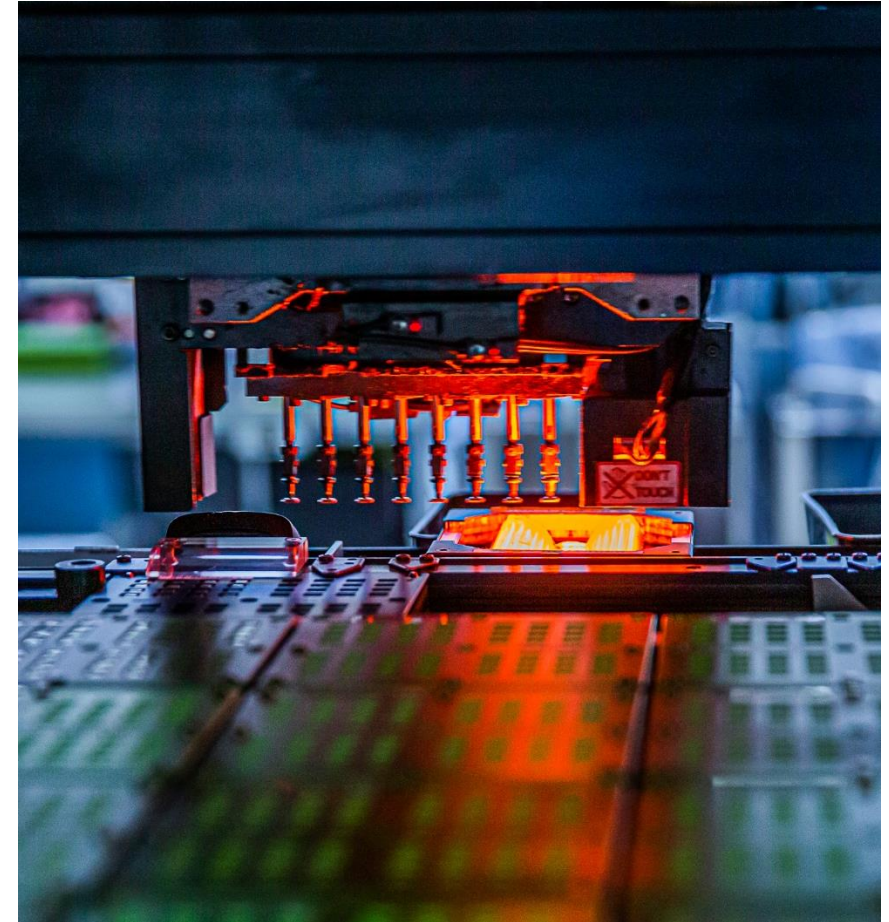


FY22 achievements

- Successful navigation of numerous supply chain issues through various initiatives including multiple-source procurement; proactive inventory management
- Strong manufacturing performance through global supply chain and Covid-19 disruptions:
 - NZ capacity increase delivered 60% higher output and record gross margins;
 - India and France delivered similar output levels to last year despite significant disruptions
 - Siward OEM partnership delivered higher volumes

FY23 focus

- Continue to increase manufacturing capacity, flexibility and redundancy:
 - Completion of new Rakon India facility; smooth transition and minimised disruption
 - NZ build capacity for mass production of XMEMs® nanotechnology-based products
 - Indian production of some of ASIC-based OCXOs previously manufactured in NZ only
 - OEM partnerships to extend higher-volume product lifecycles
- Ongoing supply chain focus, with raw material supply constraints expected to continue
- Management of skill shortages and cost inflation



Our competitive advantage:

Our global manufacturing strategy focuses on building scale and flexibility at three sites, lengthening product lifecycles through lean manufacturing options, mitigating supply chain risk through multiple sourcing and further developing our partnerships with original equipment manufacturers.

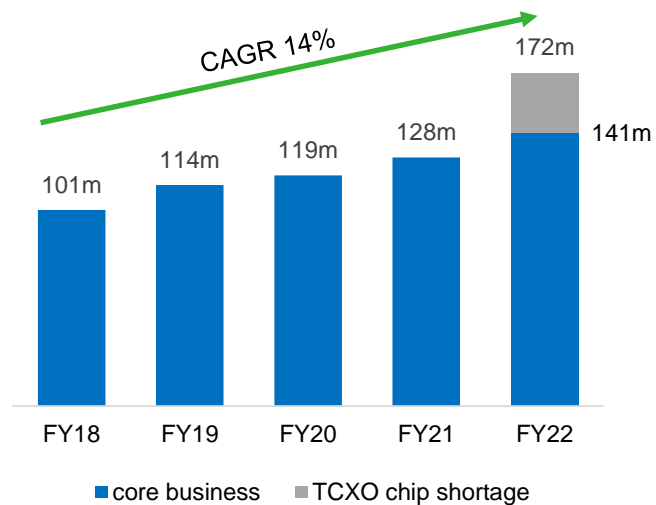
Financial overview



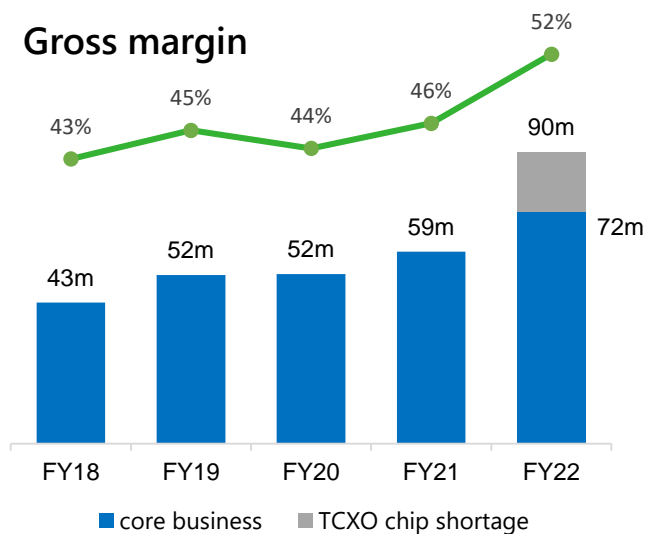
Revenue and earnings trends



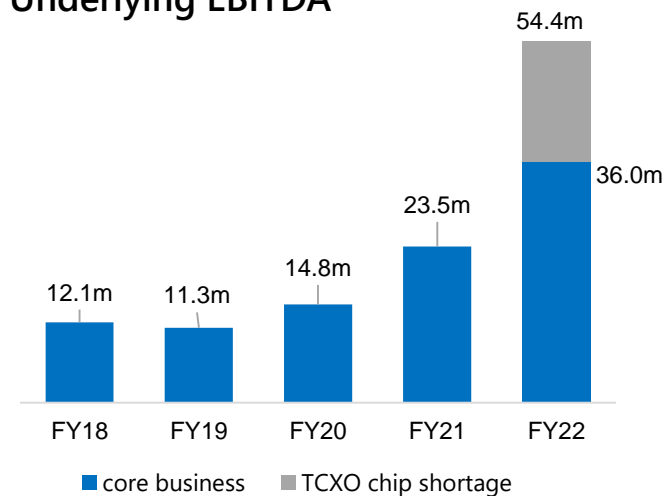
Revenue



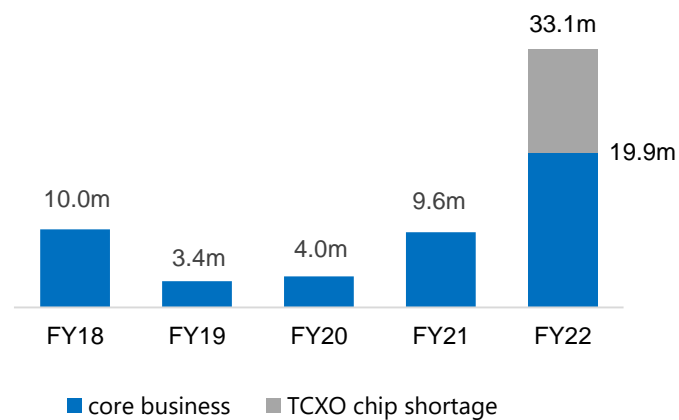
Gross margin



Underlying EBITDA¹



Net profit



Notes

¹ Refer to Note 5 of the FY22 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

Segment information



Revenue by market segment and business unit (FY22 \$m)

Business Unit		NZ	France/ India	France HiRel	T'maker	Other	Total	% of total
Market segment	Telecommunications	57	27	0	-	1	86	50%
	Global Positioning	26	0	0	-	1	27	16%
	Space and Defence	11	2	13	-	0	26	15%
	Other	26	0	6	-	1	32	19%
	Total	120	30	19	-	3	172	100%
	% of total	70%	17%	11%	0%	2%	100%	

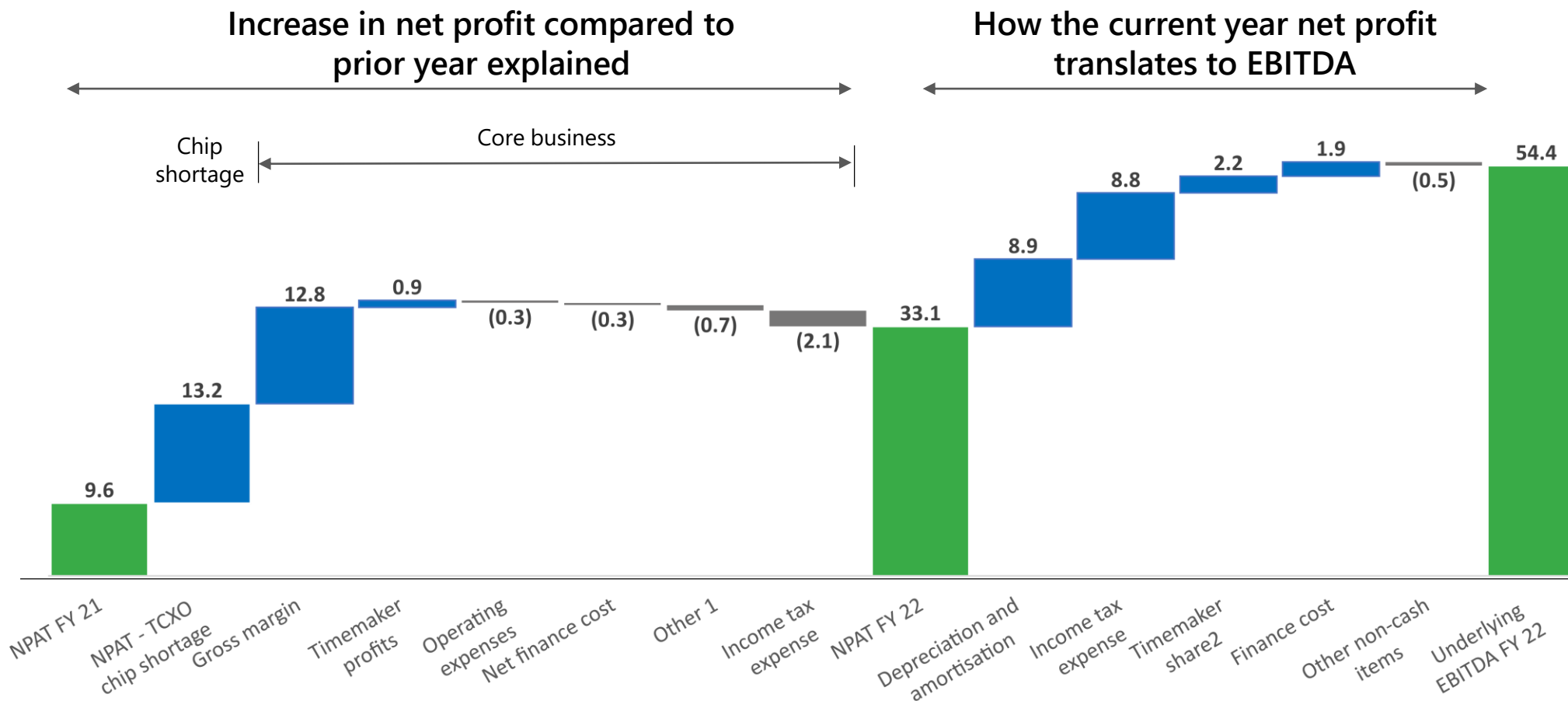
Underlying EBITDA¹ by business unit (FY22 \$m)

Business Unit	NZ	France/ India	France HiRel	T'maker	Other	Total
Total	42.0	3.7	1.4	4.6	2.7	54.4

Notes

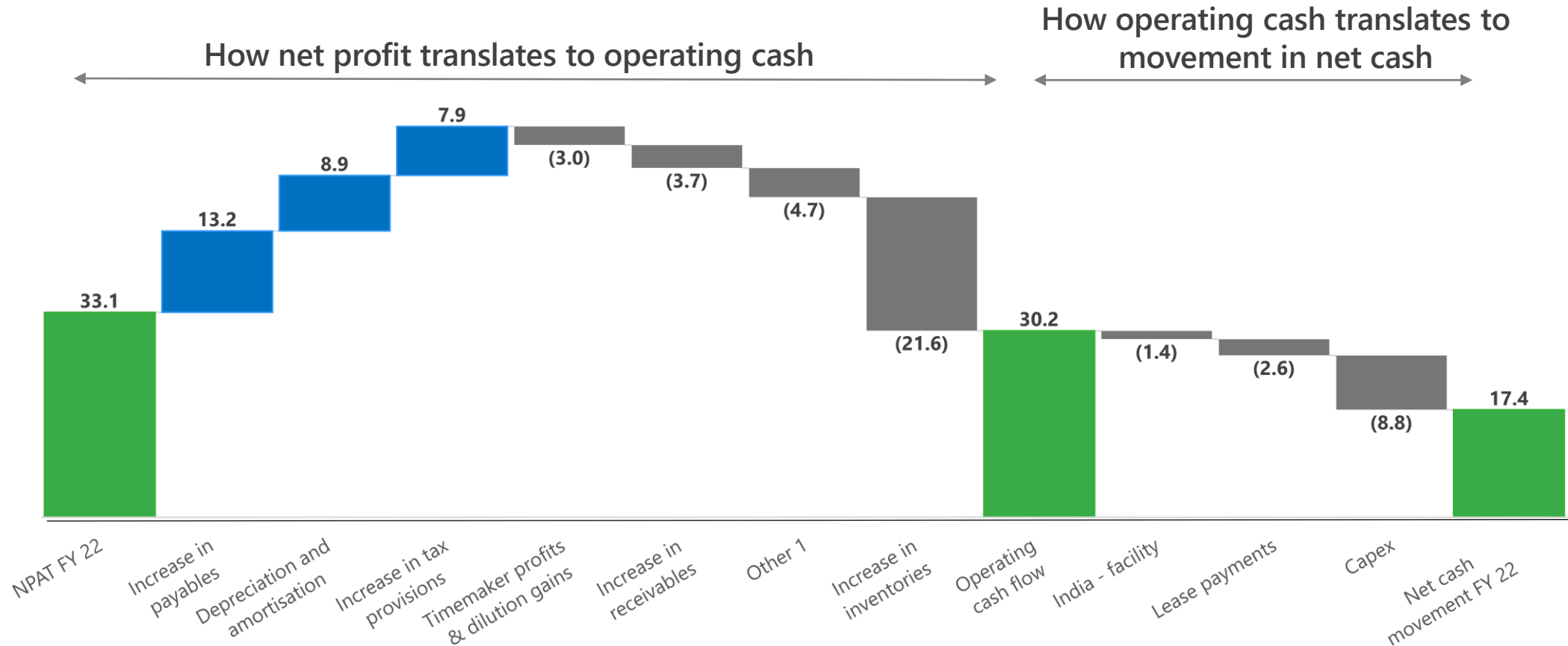
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Net profit & Underlying EBITDA explained



How net profit translates to cash

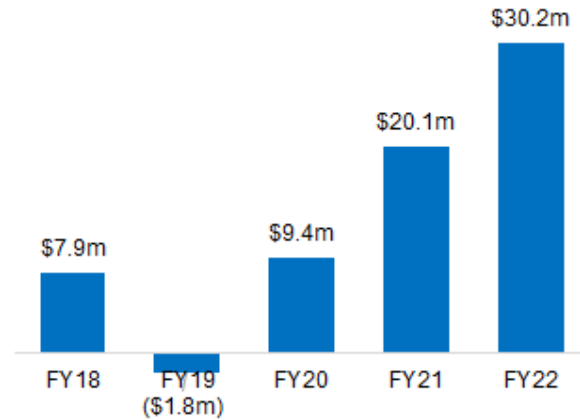
Higher working capital supports growth & mitigates supply chain risks



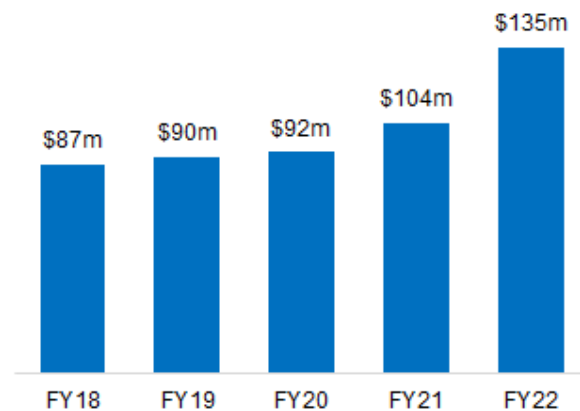
Strong balance sheet for future growth



Operating cash flow

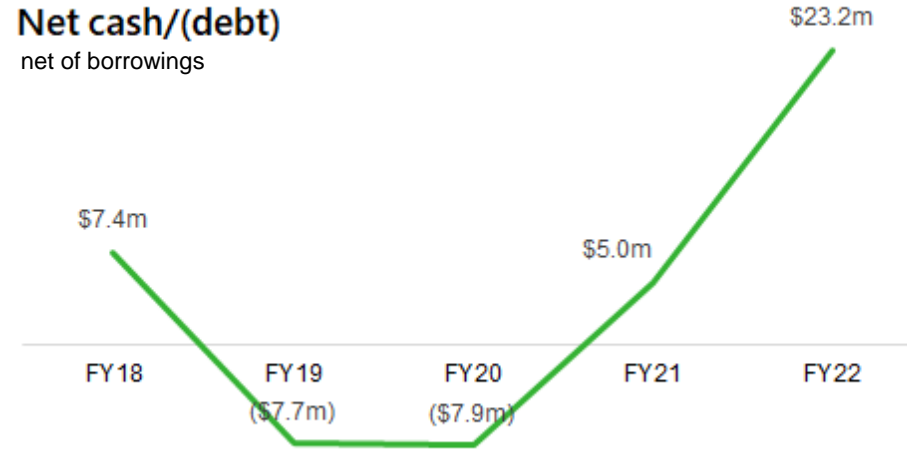


Shareholders funds



Net cash/(debt)

net of borrowings



Planned investment in growth

- New manufacturing facility in India
- Continued development of XMEMS® capability and capacity expansion
- Expand NewSpace product portfolio into higher value subsystems
- Continued development of proprietary semiconductor chips

Financial metrics & hedging



Performance for the year to March (\$m)	FY22	FY21	variance	% change
Revenue	172.0	128.3	+43.7	+34%
Gross profit	90.1	58.9	+31.1	+53%
Gross margin %	52.4%	45.9%	+6.4 pts	
Operating expenses	49.3	49.0	+0.3	+1%
Other operating income	1.6	2.6	-1.0	-37%
Net profit after tax	33.1	9.6	+23.5	+244%
Underlying EBITDA ¹	54.4	23.5	+30.9	+132%
Capital expenditure	10.1	5.1	+5.0	+99%
Operating cash flow	30.2	20.1	+10.2	+51%
Financial Position	Mar-22	Mar-21	variance	% change
Net cash / (net debt) ²	23.2	5.0	+18.2	+361%
Inventory	57.3	37.7	+19.6	+52%

Hedging programme

- 99% of revenue is in non-NZD currencies (mostly USD)
- Most significant currency exposure is NZD/USD
- Hedging covers up to 24 months exposures on a net basis
- NZD/USD hedging position

Year ended 31 March	2023	2024
% of net exposures covered by hedging	80-85%	50-55%
average rate of cover	0.679	0.678

Notes

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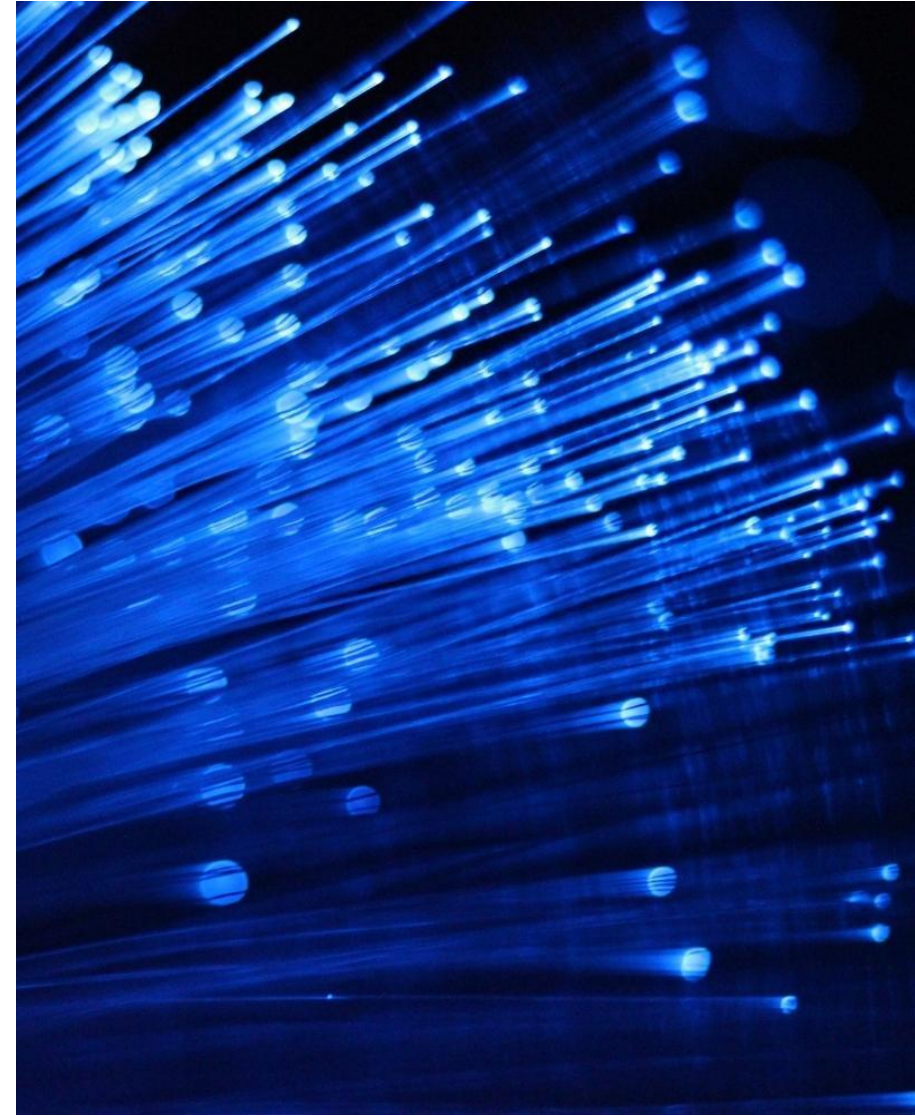
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² excluding NZ IFRS 16

New dividend policy



- Key policy aims
 - To articulate Rakon's aspirations as a growth company
 - To confirm its intentions to maintain a strong balance sheet
 - To provide clarity about when a dividend will be considered and paid
- No current intention to pay dividends
 - Cash surpluses prioritised towards growth-focused capital and R&D projects
 - To be reviewed at least annually against stated criteria
- FY22 cash surplus allocated to support planned growth and capital expenditure
- Policy available on our website



Building a sustainable organisation

Solid progress on ESG framework



ESG framework development

- Materiality assessment complete
- Sustainability roadmap is focused on:
 - ESG strategy
 - Development of targets
 - Prioritised actions
 - Reporting framework
- Alignment of climate change reporting to TCFD in readiness for 2023

Builds on existing work in key areas

- Reducing waste and greenhouse gas (GHG) emissions
- Improved visibility and management up and down the supply chain
- Maintaining low rates of workplace injury
- Maintaining high levels of employee engagement



Governance & risk update

Board and CEO succession



- Board succession and CEO transition
 - New CEO appointment
 - Two new directors appointed (Steve Tucker and Sinead Horgan)
 - New Chair Lorraine Witten following Bruce Irvine's retirement
- Close monitoring of Covid-19 and supply chain risks to protect health and safety of staff and maintain operations
- Continued stakeholder engagement and communications (including investors)
- New dividend policy
- Trade compliance policy and process review
- Foreign currency risk, hedging policy and hedging levels in place



Summary & outlook



Summary and investment highlights

Ongoing growth will be driven by innovation, long term customer relationships and leading market position in rapidly expanding high-tech industries



- **Record FY22 earnings performance**
Revenue \$172.0m (+34% yoy); Underlying EBITDA \$54.4m (+132%)
- **Core growth driven by market leadership in high-growth tech industries**
including telecommunications and precision positioning
- **Market opportunity created by global chip shortages**
Organisational agility enabled a significant short-term boost above core growth
- **Global operation provides delivery flexibility and risk management**
Scalability and proactive management of supply chain, materials shortages and Covid-19
- **Long-term customer relationships with global tier 1 tech companies**
including primary supplier to 5 of top 7 telecommunications infrastructure companies
- **Globally-recognised technology pioneer and innovator**
Leading edge technologies being developed to meet next generation technology requirements
- **Strong balance sheet supporting longer-term investment in future growth**
Increased manufacturing scalability and flexibility, new technologies and products



FY23 outlook and focus

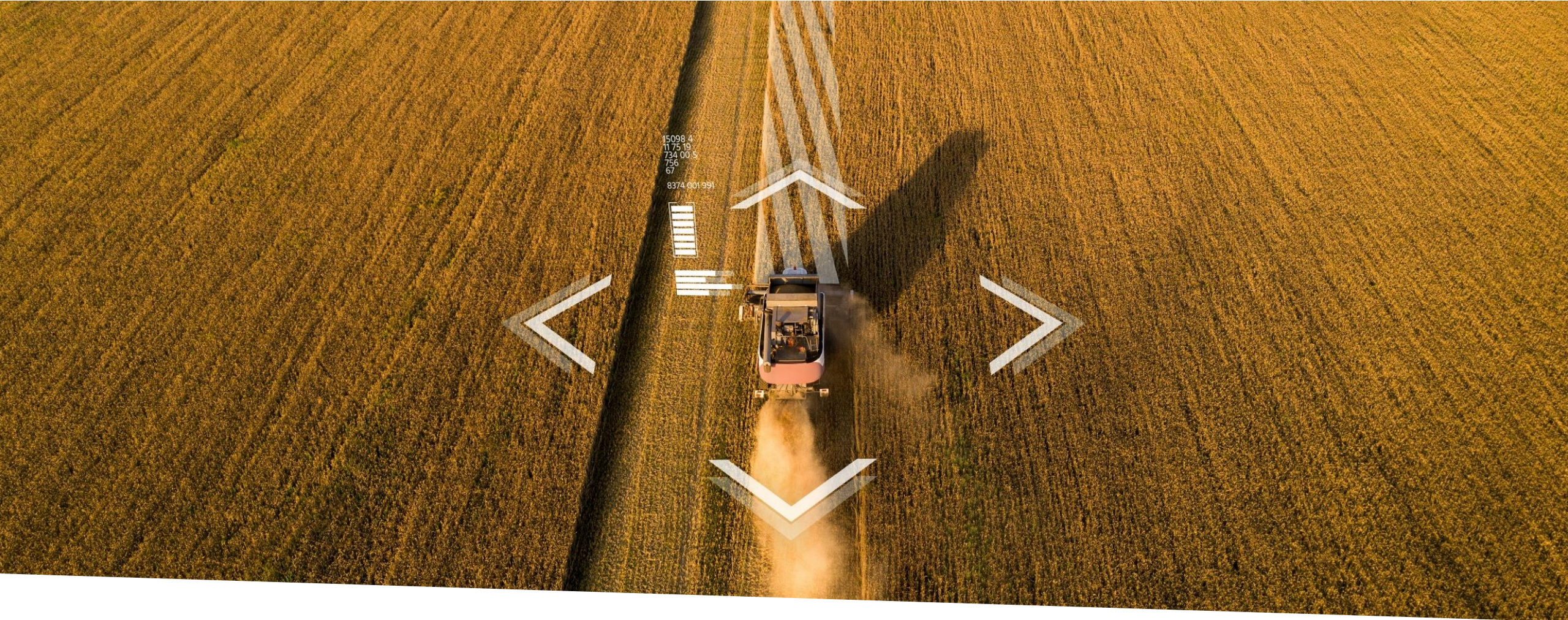
Strong orders, market momentum, proactive risk management, strategic investments

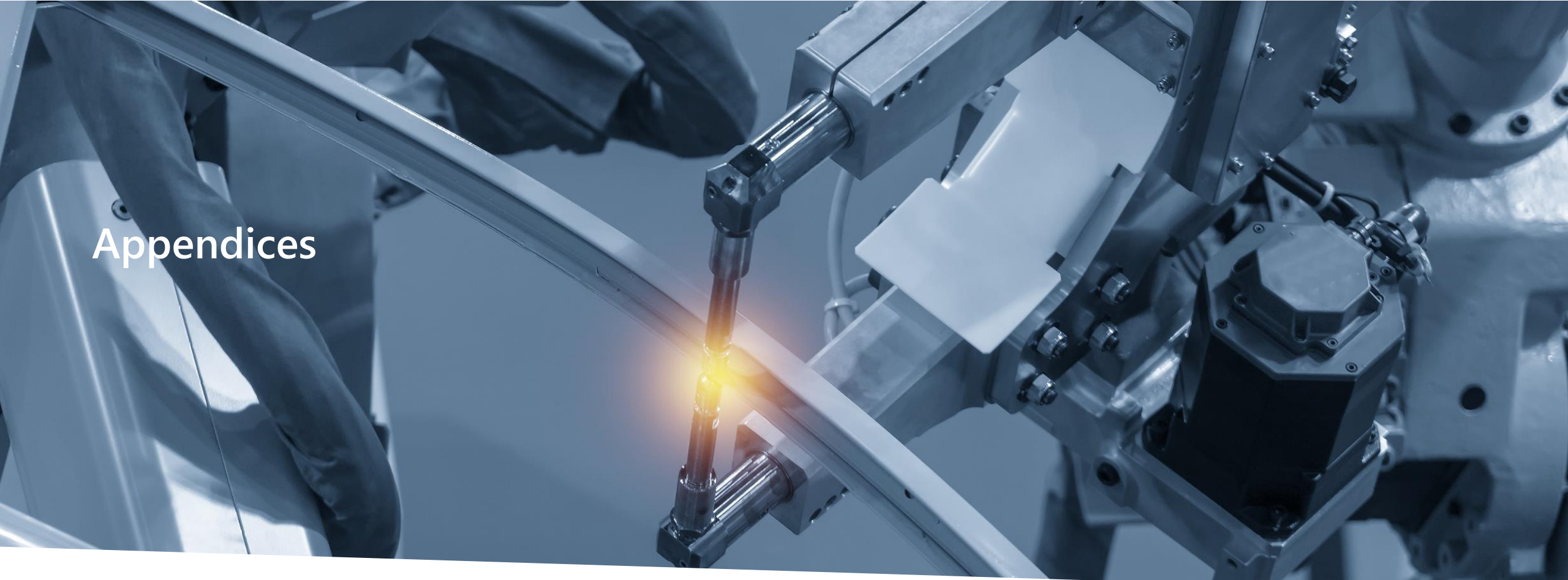


- **Strong order book**
for 5G telco, space and global positioning products
- **Solid growth momentum**
Continued strong growth in core telecommunications and positioning markets
Building in emerging LEO satellites and datacentre networking markets
- **Release of new cutting-edge products and platforms**
based on proprietary semiconductor chip and XMEMS® nanotechnology
- **Increasing manufacturing capacity and capability**
to meet demand growth
- **New India facility**
completion and transition
- **Proactive risk management**
of supply chain, Covid-19, skill shortages and cost inflation



Q&A





Appendices

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: 5th generation of the telecommunications standard, providing 10 to 1000 times better performance in many different applications

5G millimetre wave technology: The equipment that enables higher frequency data transmission in 5G

NewSpace/ NewSpace LEOs: Refers to space sector commercialisation, that are 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, these enable precision timing in 5G applications

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; these enable higher data rates in 5G applications

System solutions: Refers to Rakon's solutions that include high performance products, equipment and consulting services for Space & Defence

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

VCXO: Voltage Controlled Crystal Oscillator (VCXO). A crystal oscillator with an adjustable output frequency

XMEMS®: Crystal Micro-Electro-Mechanical System. Rakon's advanced quartz-based resonator technology. It is made with Rakon's nano-technology microfabrication process, delivering unprecedented resonator and oscillator performances



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