



## Rakon Q1 FY24 Market Update

17 July 2023

Rakon Limited (NZX: RAK), a high technology manufacturer of frequency control and timing solutions for the telecommunications, space and defence, and positioning sectors, has provided an update for the three months ended 30 June 2024 (Q1 FY24) and FY24 outlook. Key points are:

- Q1 FY24 performance slightly above expectations across all three core markets
- Temporary slowdown in telecoms sector represents risk to FY24 EBITDA<sup>1</sup> guidance (up to \$10 million)
- Space and defence demand outlook remains strong with healthy order book to FY25
- Initiatives underway to improve efficiency and recalibrate resources and cost structures globally
- Strategic direction on track with good progress on FY24 milestones

Rakon's Q1 FY24 performance across all three of its core markets has been slightly above its expectations at the time of the FY23 results announcement. Since releasing its FY24 guidance at the results announcement, market conditions have continued to evolve with Rakon's tier-1 telecom infrastructure customers now indicating that a temporary slowdown in 5G network infrastructure deployments will extend further into FY24 than initially forecast.

This temporary slowdown is driven by a more conservative stance from the global mobile network operators for FY24. The reduced demand will lead to a slower drawdown of stockpiled inventory among Rakon's telecom infrastructure customers, extending into H2 FY24. While the revenue impact from this remains uncertain, it could represent a risk of up to \$10 million to the FY24 EBITDA guidance of \$26-34 million. With three quarters of FY24 remaining, Rakon will continue to work alongside its customers as they manage their inventory levels through the temporary slowdown, and the company will update its projections as it progresses further in FY24.

Rakon's demand outlook in the space and defence sector remains strong, with higher than expected product orders in FY24 and a healthy order book extending out to FY25. The outlook in the positioning sector is in line with forecasts.

Rakon will continue to take necessary steps in adjusting its operations to align with near-term financial performance, while steadfastly protecting the path towards long-term growth. This involves various initiatives to enhance efficiency, including careful recalibration of its resources and cost structures globally, a move Rakon believes is crucial in this rapidly changing market environment.

Rakon's medium to longer-term growth fundamentals and drivers are strong and the company remains confident of a return to normal customer inventory levels by the end of FY24. Rakon has validated with its telecom infrastructure customers that it has not lost market share, it has also added customers across the growth markets it operates in and continues to secure design opportunities within customer projects as strongly as before.

Despite the temporary slowing of the global 5G rollouts, the drivers behind the technology continue to be strong. In Ericsson's Q2 results, released on Friday, the company confirmed its earlier forecast for global 5G subscriptions to reach 1.5 billion connections by the end of calendar 2023 and 4.6 billion by 2028. There are also significant market opportunities for Rakon with cloud and edge computing, autonomous machines and vehicles, aerospace and the entire NewSpace ecosystem.

Rakon remains on track with its strategic direction which provides a solid foundation for future expansion in both core and new markets. It is making good progress with its FY24 milestones, including accelerating the process for the transfer of select product lines from its France and New Zealand manufacturing sites into its new facility in India. This recently opened high-tech facility is expected to support improved product margins in FY25.



The company also continues to actively seek growth opportunities, including acquisitions, where it sees future value creation and alignment with its growth strategy.

**Conference call details**

Rakon will hold a briefing at **11:00am NZT this morning (17 July 2023)** hosted by Sinan Altug (Chief Executive Officer) and Anand Rambhai (Chief Financial Officer). Analysts and investors should register for the briefing at [this link](#). A dial-in number, passcode and a unique access PIN will be emailed to you as a calendar invitation.

If you are unable to register prior to the call, then at the time of the conference, you can call one of the following numbers:

NZ 0800 453 055

Australia 1800 558 698

Other +61 7 3145 4010

You will need to quote **10032314** and provide your name and company (if relevant).

-ENDS-

Contact:

Investor and media relations

Nick Laurent

[investors@rakon.com](mailto:investors@rakon.com)

+64 21 240 7541

[www.rakon.com](http://www.rakon.com)

**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, Positioning and Space and Defence. Rakon's products are found at the forefront of communications where speed and reliability are paramount. Its 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, six research and development centres, and sixteen customer support offices worldwide. Founded in Auckland in 1967, Rakon is proud of its New Zealand heritage. It is a public company listed on the New Zealand stock exchange, NZX, ticker code RAK.

**<sup>1</sup>Non-GAAP disclosures**

Refer to note 4 of the FY2023 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 (NPAT)