



27 May 2021

5G momentum drives Rakon's growth

- Revenue \$128.3 million, 8% higher than FY2020
- Underlying EBITDA¹ \$23.5 million, 59% higher than FY2020
- Net profit after tax \$9.6 million, 142% higher than FY2020
- Rapid response and ongoing adaption through worldwide Covid-19 disruptions
- Sustained growth in Telecommunications revenue, driven by increased 5G momentum
- Market opportunities captured through agility and strong supply chain relationships
- FY2022 guidance confirmed of Underlying EBITDA range of \$27-32 million

All amounts are in New Zealand Dollars

Rakon (NZX.RAK) today announced strong improvements in revenue and earnings for the year to 31 March 2021, as sustained demand from the global telecommunications sector for its industry-leading frequency control and timing solutions helped to offset the significant disruptions of the Covid-19 pandemic.

Revenue for the year to 31 March 2021 rose 8% to \$128.3 million from \$119.0 million a year earlier. Gross margin improvements and careful cost management drove a 59% increase in underlying EBITDA to \$23.5 million (2020: \$14.8m), ahead of the company's guidance of \$20-22 million. Net profit after tax rose 142% to \$9.6 million from \$4.0 million in the same period a year ago.

Rakon Chair Bruce Irvine said the company's FY2021 performance was a testament to the capability, resilience and commitment of Rakon's global team, and the agility and responsiveness of the business.

"It has been a particularly challenging year. Rakon's strong performance through these challenges reflects the sustained demand for its industry-leading products and builds on the solid operating improvements made in recent years."

Managing Director Brent Robinson said: "This result has been achieved despite the considerable disruptions of the Covid-19 pandemic, and it demonstrates our position as the supplier of choice in high-reliability connectivity solutions. We have captured market growth opportunities in Telecommunications, Datacentres and NewSpace, as well as responding to an unexpected and substantial opportunity that arose from global chip shortages resulting from the factory fire at Asahi Kasei Microdevices (AKM) in Japan in October 2020.

"Rakon has played to its strengths, responded to market challenges and opportunities, and scaled appropriately to meet demand and grow the business."

¹ Refer to Note 5 of the FY2021 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

Market segment performance

Revenue from the Telecommunications segment was \$77 million, up 18% from FY2020. There was increased demand for Rakon's 5G products, including solutions based on its Mercury +™ chip, as network operators advanced the deployment of new 5G networks and enhanced existing networks.

A move by major telecommunications infrastructure providers to design Rakon's proprietary 5G millimetre wave technologies into their networks to enable wireless 5G high-speed broadband, represents a major achievement in the second half of the year. These design wins give Rakon confidence that demand for its 5G telecommunications technologies will continue to accelerate in line with increasing global expectations for highly reliable, high-speed communications and data transfer.

Revenue from the Space and Defence segment was \$30 million, up 7% from FY2020. The increase was primarily due to growth in Rakon's French and Indian space businesses. Initial deliveries were made for a major low-orbit satellite constellation and the company was also delighted to celebrate Rakon-designed and manufactured products being on board NASA's Mars Perseverance Rover during its successful mission to Mars. A strong order book for Space and Defence is expected to deliver continued growth over the next year.

Revenue from the Positioning segment was \$14 million, down by \$4.9 million from FY2020. Revenue was lower from the aeronautical and emergency beacon markets as global travel was suppressed, and from the anticipated decline in low-margin commoditised products. Steady growth was achieved in the higher-margin, precision industrial applications used in autonomous agriculture and mining equipment.

Solid revenue growth is expected in the Positioning segment over the next year, with significant orders received for TCXO products (a key component in a range of applications including customer devices) due to global shortages. Additionally, demand in the aeronautical and beacon sub-segments is expected to recover as local and global travel resumes, and further growth in autonomous equipment is anticipated in line with the increasing standardisation of automation.

Covid-19 response

The initial impact of Covid-19 was severe, affecting all Rakon's global operations. Manufacturing at plants in New Zealand and India was heavily constrained during the first quarter. Prompt mitigation actions were taken, including health and safety measures and cost reductions to protect Rakon's people and the business.

Mr Robinson said the company had worked hard over the year to ensure continuity of its operations through ongoing disruptions.

"We have continued to adapt to the conditions of each country and to ensure the ongoing safety of our people. Most recently, the outbreak in India has impacted Rakon India's manufacturing operation, where unfortunately a small number of our 500 employees in Bengaluru have contracted the virus through community transmission, and sadly, there has been one death of a long-serving employee."

New product development

New product designs were rapidly deployed during the year to capture significant opportunities stemming from the world-wide chip shortages. The company was also pleased to advance the adoption of its new, leading-edge XMEMS™ technology with strategic design-in wins with key Tier 1 customers. XMEMS™ is Rakon's next generation manufacturing process which enables a new suite of smaller, higher-performing, technologically advanced products.

Mr Robinson said Rakon's global manufacturing platform and industry-wide networks and relationships enabled the company to navigate considerable supply chain disruptions to fulfil increased demand. "New equipment has been built and software enhanced to increase manufacturing capacity for new products. This has established a solid platform for delivery in FY2022."



Balance sheet

The strong cash flows generated through the year strengthened the company's balance sheet, resulting in a net cash position of \$5.0 million by the end of FY2021 compared to a net debt² position of \$7.9 million at the same point in 2020.

Rakon maintains a dividend policy that it will pay a dividend of up to 50% of the after tax profit if considered fiscally prudent.

Mr Robinson said the company would continue to maintain a conservative balance sheet as it manages ongoing uncertainties and risks, and looks to consolidate its improved performance and reserves in FY2022.

Accordingly, Directors have determined not to declare a dividend for the period to 31 March 2021.

Outlook

Looking ahead, the company expects solid revenue growth in FY2022, driven by significant orders stemming from current global TCXO shortages and continued expansion in the 5G, datacentre and NewSpace segments. Rakon also has funding lines in place to support future growth opportunities and as a buffer for adverse events.

Mr Robinson said the uplift due to the global TCXO shortages is expected to be sustained with deliveries scheduled through FY2022 and FY2023. "Supply is anticipated to normalise beyond that period, however Rakon is confident it will retain a good share of this market as customers diversify their supplier base for continuity of supply."

Rakon confirms its Underlying EBITDA guidance range of \$27-32 million for the year to 31 March 2022.

-Ends-

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About Rakon

Rakon is a world leader in the design and manufacture of advanced frequency control and timing solutions. It plays a critical role in enabling the networks and applications that bring together a wirelessly connected world, and its products are found at the forefront of communications where speed and reliability are paramount. Over more than 50 years, Rakon has built long standing relationships with customers and industry partners in the Telecommunications, Global Positioning, Space and Defence sectors and is a supplier of choice in these sectors. The company has manufacturing plants in New Zealand, France and India; 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.

www.rakon.com

² Excluding NZ IFRS 16